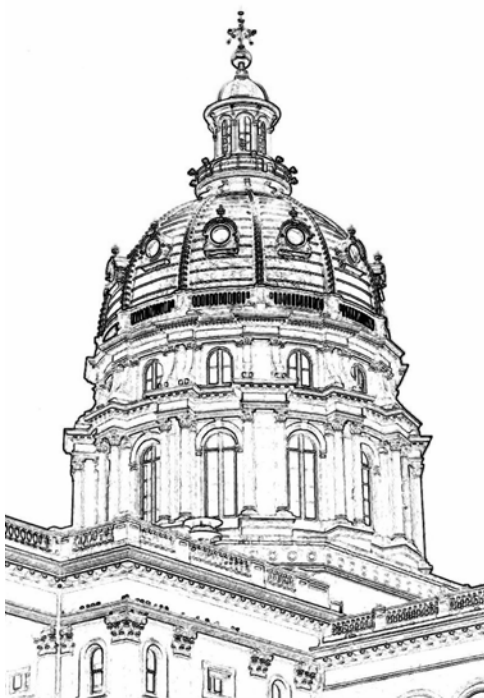


# Fiscal Facts 2005



**IOWA**  
**Legislative Services Agency**  
**Fiscal Services Division**  
**June 2005**

To: Members of the Iowa General Assembly

From: Holly M. Lyons, Division Director  
Fiscal Services Division

Re: Fiscal Facts

Date: June 2005

Fiscal Facts contains data relating to overall revenues and expenditures of State government, as well as detail regarding the most pertinent and discussed topic areas. Additional detailed data and information are available from the Fiscal Services Division of the Legislative Services Agency.

The FY 2005 data are estimates since the document is being issued prior to the close of FY 2005. **The data provided for FY 2006 represents action taken by the 2005 General Assembly, and does not reflect all veto action by the Governor.**

If you would like further information regarding any of the data provided within Fiscal Facts or have any comments and suggestions regarding this document, please do not hesitate to contact me.

**Legislative Services Agency  
Fiscal Services Division  
Staff Listing**

**Holly M. Lyons, Director  
State Capitol, Room G01  
515-281-5279**

Fiscal Services Division Director	Holly Lyons	281-7845
Division Administrator	Doug Wulf	281-3250

**Committee Assignments**

**Appropriations Subcommittee:**

Admin. and Regulation	Ron Robinson	281-6256
	Sam Leto	281-6764
	Doug Wulf	281-3250

Ag. and Natural Resources	Debra Kozel	281-6767
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Economic Development	Russ Trimble	281-4613
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Education	Robin Madison	281-5270
	Mary Shipman	281-4617

Health and Human Services	Lisa Burk	281-7942
	Sue Lerdal	281-7794
	Jennifer Vermeer	281-4611

Justice System	Jennifer Acton	281-7846
	Beth Lenstra	281-6301

Transportation & Infrastructure	Mary Beth Mellick	281-8223
	Dave Reynolds	281-6934

Appropriations	Sue Lerdal	281-7794
	Holly Lyons	281-7845
	Dave Reynolds	281-6934

Education Standing	Dwayne Ferguson	281-6561
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Government Oversight	Sam Leto	281-6794
	Doug Wulf	281-3250

Ways and Means	Jeff Robinson	281-4614
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# **2005 LEGISLATIVE SESSION OVERVIEW**

**STATE OF IOWA  
GENERAL FUND BALANCE  
(\$ in millions)**

	<u>FY 2005 Estimated</u>	<u>FY 2006 Legislative Action*</u>
<b>Estimated Funds:</b>		
Estimated Receipts		
Rev. Est. Conference (12/04)	\$ 5,496.4	\$ 5,562.0
REC Adj. (04/05)**	79.5	85.0
Transfers & Adjustments	<u>0.1</u>	<u>1.5</u>
Total Receipts	5,576.0	5,648.5
 Tax Refunds	 - 700.6	 - 668.8
 Accruals	 <u>- 49.6</u>	 <u>9.8</u>
<b>Total Funds</b>	<b><u>4,825.8</u></b>	<b><u>4,989.5</u></b>
 <b>Est. Appropriations:</b>		
General Fund	4,519.4	4,938.5
FY 2005 Supplemental	80.5	
Reversions	<u>- 9.7</u>	<u>- 12.5</u>
<b>Net Appropriations</b>	<b><u>4,590.2</u></b>	<b><u>4,926.0</u></b>
 <b>Ending Balance</b>	 <b><u>\$ 235.6</u></b>	 <b><u>\$ 63.5</u></b>
Approp. To Prop Tax Credit Fund***	159.7	0
<b>Surplus to Cash Reserve Fund</b>	<b><u>\$ 75.9</u></b>	<b><u>\$ 63.5</u></b>

\* Prior to action by the Governor.

\*\* Legislative action notwithstanding statute and permitted the expenditure of 99.0% of the REC adjustment revenue for FY 2006.

\*\*\*Legislative action created the Property Tax Credit Fund and notwithstanding Section 8.57, Code of Iowa, appropriating \$159.7 million of the General Fund Surplus to the Property Tax Credit Fund. The remainder of the surplus is appropriated to the Cash Reserve Fund.



## THE YEAR IN REVIEW

## FY 2005

Revenue growth projections in Iowa continue to improve in FY 2005, with the Revenue Estimating Conference (REC) estimating growth in total receipts (accruals) to be 4.1%, up from the December growth estimate of 2.7%. Iowa utilized some one-time sources of funds and tapped the reserve funds to help balance the FY 2005 budget. Approximately \$430.0 million in General Fund expenditures were shifted to other fund sources. This included shifting \$159.7 million in property tax credits to the Cash Reserve Fund and \$132.4 million in Medicaid expenditures to the Senior Living Trust Fund.

The 2005 General Assembly passed General Fund supplemental appropriations totaling \$80.5 million for the following purposes:

**General Fund  
Supplemental Appropriations  
(\$ in millions)**

Medical Assistance	\$ 70.0
Medical Contracts	1.0
Glenwood Resource Center	1.0
Woodward Resource Center	1.0
Public Defender	1.6
Indigent Defense Appropriation	2.9
Sexual Predator Civil Commitment	0.8
National Special Olympics	0.5
Other Supplemental Appropriations	1.7
Total Supplemental Appropriations	<u><u>\$ 80.5</u></u>

The current projected General Fund ending balance for FY 2005 is \$235.6 million, but the General Assembly notwithstanding Section 8.57, Code of Iowa, and appropriates \$159.7 million of the FY 2005 surplus to the Property Tax Credit Fund for payment of the FY 2006 property tax credits. The remaining FY 2005 surplus is estimated to be \$75.9 million and will be appropriated to the Cash Reserve Fund.

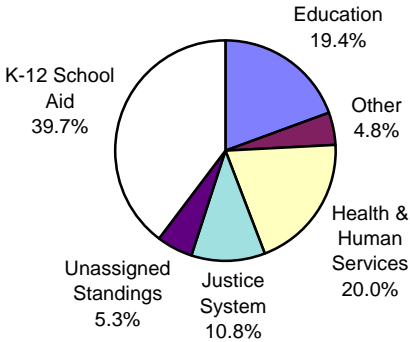
**THE YEAR IN REVIEW (Contd.)****FY 2006**

Revenue growth projections in Iowa are cautiously optimistic for FY 2006. The April REC projected growth in total receipts (before refunds and accruals) to be 2.0% for FY 2006. Like many other states, revenues are surpassing estimates, but increases in Medicaid, other health care spending, and K-12 education are outpacing revenue growth rates. According to the National Conference of State Legislatures, this mismatch between resources and spending needs is creating a structural budget gap in nearly half of the states. In Iowa, economic factors have contributed to reductions in the revenue growth rate, but tax reductions and revenue adjustments enacted by the General Assembly have played a role in reducing the rate of General Fund net revenue growth over the past five years and contributing to the structural budget gap.

The Iowa General Assembly appropriated \$4.939 billion from the General Fund for FY 2006 and shifted approximately \$381.0 million in expenditures from the General Fund to the other sources. This includes the \$159.7 million in property tax credits and \$135.0 million in Medicaid expenditures.

Prior to any item vetoes by the Governor, the projected General Fund ending balance is \$63.5 million.

**DISTRIBUTION OF ESTIMATED FY 2006  
STATE GENERAL FUND APPROPRIATIONS  
(\$ in millions)**




---

Subcommittee	Est. FY 2006 Appropriations	Percent of Total
Admin. & Regulation	\$ 123.7	2.5%
Ag. & Natural Resources	35.2	0.7
Economic Development	79.6	1.6
Education	957.4	19.4
Health & Human Services	985.6	20.0
Justice System	532.3	10.8
Trans. & Infrastructure	0.9	0.0
Unassigned Standings	261.0	5.3
K-12 School Aid	1,962.8	39.7
Total	<u>\$ 4,938.5</u>	<u>100.0%</u>

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, Economic Development, and Transportation and Infrastructure.

## IOWACARE MEDICAID REFORM ACT

The General Assembly enacted HF 841, which establishes a new expansion to the Medical Assistance (Medicaid)

Program designed to draw additional federal matching funds. The IowaCare

proposal was developed in response to federal action to discontinue the Intergovernmental Transfer (IGT) funding mechanism, resulting in a loss of \$66.1 million in federal revenue to Iowa's Medicaid Program annually.



Under current law, approximately \$89.2 million in State and county funding provides medical care to indigent persons in Iowa. The IowaCare Act provides for a limited expansion of the Medicaid Program up to 200.0% of the Federal Poverty Level for adults age 19 to 64. The goal of the expansion is to cover the indigent persons currently served with 100.0% State funds in the expanded Medicaid Program, which will draw 2/3 federal matching funds. This will allow the same number of persons to be covered for 1/3 of the cost to the State, with federal funds making up the difference. The federal revenue generated from the expansion will help offset the loss of the IGT funds, as well as provide an opportunity for Iowa to implement Medicaid reform strategies.

The expansion Program is different from the regular Medicaid Program in the following ways:

- Enrollment may be capped and the services may be limited to stay within the appropriated amount.
- Covered benefits are limited to inpatient and outpatient hospital, physician, dental, and transportation services.
- Services may only be provided at Broadlawns Hospital in Polk County, University of Iowa Hospitals and Clinics, or the State Mental Health Institutions. The providers are held harmless under HF 841.
- Enrollees are required to pay a monthly premium.
- Enrollees will be required to receive a medical examination and personal health assessment within 90 days of enrollment.
- The source of the federal match will be a combination of federal Medicaid match, Disproportionate Share Hospitals, and Graduate Medical Education funding.

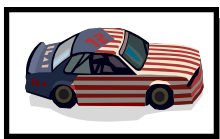
**IOWACARE MEDICAID  
REFORM ACT (Contd.)**

House File 841 also includes a number of reforms to the Iowa Medicaid Program, including:

- Implementing a higher level of care requirement for nursing home services, to shift Medicaid clients to home and community-based services, where available.
- Developing a strategy to utilize electronic medical records.
- Developing a program to reduce smoking and promote weight loss within the Medicaid population.
- Instituting strategies for promoting preventive health and dental care.
- Establishing new legislative oversight and clinical advisory groups to oversee the implementation of the IowaCare Act.

The IowaCare Act makes a number of appropriations and de-appropriations from the new IowaCare Account and Health Care Transformation Account. The net fiscal impact of the IowaCare Act is a net cost of \$12.9 million State funds. The new federal matching funds drawn down under the IowaCare Act will only offset \$55.2 million of the total IGT revenue loss of \$66.1 million.

## SPEED LIMIT ACT



During the 2005 Legislative Session, the General Assembly passed and the Governor signed HF 826 (Speed Limit Act) on April 19. The Act increases the speed limit from 65 to 70 miles per hour (MPH) on interstate

highways and increases the speeding fines for vehicular traffic on highways with rates of speed greater than 55 MPH.

The Governor item vetoed Sections seven and nine from the Act. These two Sections allocated \$596,000 in FY 2006, \$709,000 in FY 2007, and \$841,000 in FY 2008 and FY 2009, to the Iowa State Patrol for the purchase of vehicles. The language was to sunset on July 1, 2009. The Governor stated that he agreed with the need to increase funding for the State Patrol vehicles, however, he did not want the speeding fine increases in HF 826 to be directly tied to an allocation for new vehicles.

The Act allows the Judicial Branch to retain \$7.0 million for operations from the increased revenue due to the increase in the simple misdemeanor court costs from \$17 to \$30.

The estimated fiscal impact to change the speed limit signs will range from \$124,000 to \$248,000, including labor, maintenance, and equipment. These costs would be paid from the Primary Road Fund.

The increased revenue to the General Fund consists of fine and surcharge revenues and the increase of the simple misdemeanor court costs. The total revenue impact of HF 826 is provided in the table below.

**Estimated Net Revenues Generated From House File 826**

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>General Fund</b>	\$ 596,000	\$1,609,000	\$2,741,000
<b>Victim Compensation Fund</b>	19,000	28,000	41,000
<b>County/Local</b>	177,000	204,000	232,000
<b>Judicial Branch</b>	7,000,000	7,000,000	7,000,000

**METHAMPHETAMINE ACT**

During the 2005 Legislative Session, the General Assembly passed SF 169 (Methamphetamine Precursors Act).

The correctional impact of the Act may result in approximately 1,450 additional people annually being supervised in

Community-Based Corrections (CBC) and required to undergo random drug testing. Additionally, there may be an impact on county jail overcrowding. If all 1,450 additional offenders remain in jail for a 24-hour period, the impact would be approximately \$22,000 for county jail operations.

The fiscal impact of the Act may impact CBC District Department budgets. Costs in FY 2005 are anticipated to be \$375,000 and 6.0 FTE positions for probation officers (staff and testing supply costs). Costs in FY 2006 are anticipated to be \$1.5 million and 24.0 additional FTE positions (staff and testing supply costs) on an annual basis.

Any savings generated by the provisions of SF 169 cannot be determined. There may be other savings to local and State government as a result of a reduction in meth labs and meth usage in Iowa, but there is insufficient data to quantify such savings. State, federal, and local savings generated by a reduction in meth labs may be redirected to other drug interdiction efforts by State and local law enforcement.

## SEX OFFENDER LEGISLATION

The General Assembly passed HF 619 that enhances penalties for sex offenders, requires treatment, mandates certain supervision requirements, changes the Sex Offender Registry, requires DNA testing, and limited risk assessments.



House File 619 enhances the penalty for lascivious acts with a child from a Class D to a Class C felony, for certain acts; the age of the offender is lowered from 18 to 16 years of age. The Act creates a new Class A felony. If an offender commits a second or subsequent offense for sexual abuse in the second or third degree, or lascivious acts with a child, or any combination thereof, then the penalty is a Class A felony (life in prison). The Act creates a special sentence of lifetime supervision for offenders convicted of certain Class C or B felonies, and ten years for certain Class D felony or misdemeanor convictions. Early discharge from the special sentence is permitted.

Under the Act, offenders in prison are not eligible for earned time reduction of sentence unless they participate in and complete a sex offender treatment program. The Act directs the Department of Corrections (DOC) and Community-Based Corrections (CBC) District Departments to place certain offenders (those whose victim was a minor) on electronic monitoring for a period of at least five years.

House File 619 makes certain changes to the Sex Offender Registry, including risk assessments and annual photographs. The Act requires the Departments of Corrections, Public Safety (DPS), and Human Services (DHS) to develop methods and procedures for the risk assessment of certain sex offenders (those whose victim was a minor). The Act requires DNA profiling of all felons.

The new special sentence will increase the length of stay on CBC supervision. The correctional impact will first occur in CBC in FY 2008, because the original sentence must be served before the special sentence begins. In FY 2008, it is estimated an additional 298 sex offenders will be supervised in CBC. This figure increases to 599 offenders in FY 2009, and continues to increase in future fiscal years.



**SEX OFFENDER  
LEGISLATION (Contd.)**

House File 619 will increase the incarceration rate and the length of stay for sex offenders (more sex offenders will be sentenced to prison for a longer period than under current law). The correctional impact will first occur in FY 2008 in the State prison system because the current sentence must be served before the impact of enhanced penalties occurs. It is estimated that the prison population will increase by 54 offenders in FY 2008, 103 offenders in FY 2009, and 171 offenders in FY 2010. The impact on the prison system after FY 2010 will be substantial as Class C offenders begin to lose earned time, and spend more time in prison.

The overall fiscal impact of HF 619 is estimated to be \$5.2 million in FY 2006, and \$6.6 million in FY 2007. These estimates do not include additional costs of contested cases related to risk assessments. Depending upon the number of contested cases, additional costs of \$616,000 may be incurred by the DOC and the DPS. Costs are anticipated to increase in future fiscal years due to anticipated increases in costs for the correctional system (mandated electronic tracking and monitoring), prosecution, and defense.

**GROW IOWA VALUES FUND**

The 81<sup>st</sup> General Assembly reenacted the Grow Iowa Values Fund legislation through two bills. House File 868 (FY 2006 Grow Iowa Values Fund Act) creates the Grow Iowa Values Fund and contains a number of policy provisions and tax incentives

aimed at stimulating economic growth. House File 809 (FY 2006 Economic Development Appropriations Act) provides a ten-year standing, limited appropriation starting in FY 2006 from the General Fund to the Department of Economic Development for deposit to the Grow Iowa Values Fund. The Act also provides ten-year standing, limited appropriations from the Grow Iowa Values Fund starting in FY 2006 to various programs intended to spur Iowa's economy. Below are some significant highlights of the Grow Iowa Values Fund legislation.

House File 809

- General Fund appropriation to the Grow Iowa Values Fund – \$50.0 million.
- \$50.0 million appropriation from the Grow Iowa Values Fund as follows:
  - \$35.0 million for programs administered by the Department of Economic Development.
  - \$5.0 million for transfer to Regents universities for infrastructure projects and programs needed to assist in commercialization of research and related activities.
  - \$1.0 million for Targeted State Parks, Destination Parks, and Banner Parks.
  - \$7.0 million for deposit into the workforce training and economic development funds of the community colleges.
  - \$1.0 million for providing economic development region financial assistance.
  - \$1.0 million for deposit to the Iowa Cultural Trust Fund.

## GROW IOWA VALUES FUND (Contd.)

### House File 868

- Creates the Grow Iowa Values Fund, the Iowa Business Resource Center Program, Business Accelerator Program, Cultural and Entertainment District Certification Program, Iowa Great Places Program, Port Authority Act, and State Property Appeal Board.
- Allows for the establishment of economic development regions and economic development region revolving funds.
- Requires the establishment of a Technology Commercialization Specialist and a Chief Technology Officer to facilitate and oversee commercialization of research efforts.
- Creates the following tax credit programs:
  - Economic Development Region Revolving Fund Tax Credit – 20.0% of contribution to an economic development region revolving fund, capped at \$2.0 million per fiscal year plus carry-forward. A non-profit entity may receive a General Fund appropriation in lieu of the tax credit for its contribution.
  - Historic Rehabilitation and Cultural and Entertainment District Tax Credit – for property rehabilitation in Historic and Cultural and Entertainment Districts, capped at \$4.0 million per year.
  - High Quality Job Creation Program – takes the place of the New Jobs and Income Program and the New Capital Investment Program, and allows for the award of tax credits under the Program on a sliding scale based on the size of the capital investment, number of jobs created, and wages and benefits paid for those jobs. The tax credit awarded is to be amortized equally over a five-year period, and may be carried forward and used for up to seven years or until depleted, whichever occurs first.
  - Creates the Wage-Benefits Tax Credit Program and allows a non-retail, non-service business to apply to the Department of Revenue to claim a minimum of 5.0% to a maximum of 10.0% tax credit of the annual wages and benefits paid for

**GROW IOWA VALUES FUND  
(Contd.)**

a qualified new job created by the location or expansion of the business in the State. The percentage of the award is based on the wages and benefits paid for the new job. The Act caps the tax credit at \$10.0 million per year, to be awarded on a first come, first serve basis after the business maintains the new job for a 12-month period. The business is eligible to receive the same tax credit for four additional years without additional investment provided it maintains the new jobs it created for each of those years. Businesses that receive a tax credit in excess of their tax liability are allowed to receive a tax refund for the amount in excess of the liability or are allowed to carry the credits forward to be used in a subsequent year.

- Research and development tax credits for innovative renewable energy generation – capped at \$1.0 million.
- Endow Iowa Tax Credits – extends the sunset date for tax credits under the Program from December 31, 2005, to December 31, 2008, and allows up to \$2.0 million in tax credits to be issued per year.

The tax credits in HF 868 are anticipated to cost \$3.0 million in FY 2006 and \$24.5 million in FY 2007. Costs are anticipated to continue increasing in future fiscal years.

**COOPERATIVE REORGANIZATION**

The General Assembly passed HF 859 (Cooperative Act) that creates a hybrid cooperative business entity that has provisions common to cooperative associations and limited liability companies. The Act specifies the organizational requirements for the hybrid cooperative and specifies filing fees. The Act also specifies the types of businesses that must file a biennial report with the Secretary of State by March 31 of each even-numbered year.

The Act details the following provisions for a hybrid cooperative:

- Administrative provisions that include filing fees to the Secretary of State.
- Powers and duties of the hybrid cooperative.
- Powers and duties of the members and directors.
- Equity interests of the members.
- Methods profit and loss distribution, business mergers, and dissolution.

It is estimated that the biennial filing will increase revenue by \$2.5 million to the General Fund for FY 2006 and every other year thereafter.

## DEER HARVEST



The General Assembly passed SF 206 (FY 2006 Deer Harvest Act). The Act makes changes to deer hunting that include:

- Specifies 6,000 non-resident hunters that purchase an antlered or any-sex deer license must purchase an additional antlerless deer license for \$100.
- Specifies all resident and non-resident hunters pay a \$1.00 fee for the Help Us Stop Hunger (HUSH) Program.
- Allows the Natural Resource Commission to establish special deer hunts to reduce the deer population in counties that have unused antlerless deer licenses.
- Specifies that the Department of Agriculture and Land Stewardship and the Department of Natural Resources will complete a joint study regarding the keeping of whitetail deer on hunting preserves. The report will be presented at the Government Oversight Committee meeting in November 2005.

It is estimated that revenue will increase by \$355,000 for the HUSH Program and by \$277,000 for the Fish and Wildlife Trust Fund for FY 2006 and each year thereafter.

**BOAT REGISTRATION**

The General Assembly passed HF 828 (Boat Registration Act). The Act makes the following changes regarding boat registrations:

- Increases the biennial registration fee for boats with no motor or sail from \$5.00 to a triennial fee of \$12.00.
- Creates a triennial \$22.50 registration fee for motorboats or sailboats that are less than 16 feet in length.
- Creates a triennial \$36.00 registration fee for motorboats or sailboats that are more than 16 feet but less than 26 feet in length.
- Creates a triennial \$75.00 registration fee for motorboats or sailboats that are 26 feet but less than 40 feet in length.
- Creates a triennial \$150.00 registration fee for motorboats or sailboats that are 40 feet in length or longer.
- Creates a triennial \$45.00 registration fee for personal watercraft.
- Specifies boats not registered by May 1 are subject to payment of a \$5.00 penalty.
- Defines the qualifications of a peace officer and allows a peace officer or representative of the Natural Resource Commission to inspect a commercial vessel for hire at any time.
- Specifies any peace officer trained in boating and navigation laws can inspect commercial or private boats.
- Requires boat operators that are between 12 and 17 years of age to complete the Watercraft Safety Course offered by the Department of Natural Resources (DNR).
- Specifies that any operator, ages 12 through 17, of a vessel that has ten or more horsepower cannot operate the vessel unless the operator has either successfully completed the DNR's Watercraft Safety Course or is accompanied by a responsible

**BOAT REGISTRATION  
(Contd.)**

person, 18 years or older, that is experienced in motorboat operation.

- Specifies that revenue received from the fee increase will be used for administration and enforcement of programs that control aquatic invasive species and enforcement of navigation laws and water safety. The Bill requires the Environmental Protection Commission to submit an annual report summarizing the use of the funds from the fee increase for FY 2007 through FY 2013.
- The fee increase is effective January 1, 2007.

It is estimated that receipts will increase by \$962,000 for FY 2007 and every year thereafter in the Boat Registration Fees Account.



## MAJOR IOWA TAX CHANGES

### Wind Energy Tax Credit

Senate File 390 (Small Producer Wind and Alternative Energy Tax Credit Act) creates a 1.5 cent per kilowatt-hour tax credit for energy created by wind and other alternative energy sources. The credit is limited to a total of 100 megawatts of nameplate capacity and is further limited to small producers. The tax credit is available for ten years after a project first begins to operate. Redemption of the tax credits is projected to impact 13 fiscal years, beginning FY 2007. The total dollar amount of redeemed credits is estimated to be \$55.0 million over the 13 fiscal years.



House File 882 (FY 2006 Standings Appropriations Act) creates a 1.0 cent per kilowatt-hour tax credit for electricity generated by wind facilities. This tax credit is available for facilities of all sizes. The total nameplate capacity of all facilities qualified for this tax credit is limited to 450 megawatts. The redemption of the tax credits is projected to impact 12 fiscal years, beginning FY 2007. Over those 12 fiscal years, the total tax credits redeemed is projected to be \$143.9 million. To qualify for the new credit, the facility developers must not utilize existing alternative energy sales and property tax incentives and must pay the consolidated property tax from the facilities to the State for deposit in the General Fund.

Between the two alternative energy tax credit acts, it is projected the State will issue \$198.9 million in tax credits and the electricity generated by the facilities could equal 4.0% of the kilowatt-hours consumed in Iowa each year.

### Economic Development Tax Credit

House File 868 (Iowa Values Fund Act) creates the Wage-Benefits Tax Credit Program and allows a non-retail, non-service business to apply to the Department of Revenue to claim a minimum of 5.0% to a maximum of 10.0% tax credit of the annual wages and benefits paid for a qualified new job created by the location or expansion of the business in the State. The percentage of the award is based on the wages and benefits paid for the new job. The Act caps the tax credit at \$10.0 million per year, to be awarded on a first come, first serve basis after the business maintains the new job for a 12-month period. The business is eligible to receive the same tax

**MAJOR IOWA TAX CHANGES (Contd.)**

credit for four additional years without additional investment provided it maintains the new jobs it created for each of those years. Businesses that receive a tax credit in excess of their tax liability are allowed to receive a tax refund for the amount in excess of the liability or are allowed to carry the credits forward to be used in a subsequent year.

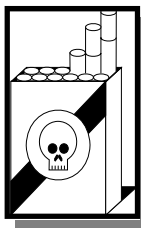
House File 868 also creates the High Quality Job Creation Program in the Department of Economic Development to take the place of the New Jobs and Income Program and the New Capital Investment Program, and allows for the award of tax credits on a sliding scale based on the size of the capital investment, number of jobs created, and wages and benefits paid for those jobs. The more jobs a business creates, and the greater the investment and compensation, the greater the tax incentive will be. The tax credit awarded is to be amortized equally over a five-year period, and may be carried forward and used for up to seven years or until depleted, whichever occurs first. The tax credits associated with the High Quality Job Creation Program are projected to reduce net General Fund receipts by \$5.5 million in FY 2007 and grow to \$12.7 million by FY 2011.

House File 868 creates or enhances several other tax credit programs, including Endow Iowa tax credits and Historic Preservation tax credits.

**Newton Racetrack**

Senate File 393 (Newton Racetrack Tax Rebate Act) provides a sales tax rebate to a newly constructed automobile racetrack in Iowa meeting specified conditions. The proposed track in Newton meets the specification of the Act. The rebate would begin January 1, 2006, and run for ten years or until a total of \$12.5 million in sales tax has been rebated to the track. The rebate is expected to first reduce net General Fund receipts in FY 2007 (\$500,000).

## TOBACCO SETTLEMENT



On November 20, 1998, forty-six states approved a settlement agreement with the four major tobacco industry manufacturers comprising 99.4% of the United States cigarette market. The manufacturers agreed to a settlement valued at \$206.4 billion to be paid over 25 years to settle tobacco-related lawsuits filed by the states.

Iowa will receive approximately 0.87% (\$1.8 billion) of the total funds allocated for distribution to the states. Iowa began to receive payments in April 2000 (\$55.8 million). Payments increased to \$73.0 million in April 2003. Iowa is scheduled to receive \$60.9 million annually for the years 2004 through 2007, \$62.1 million annually for the years 2008 through 2017, and \$69.6 million annually for the years 2018 through 2025. Iowa securitized its payments due under the Master Settlement Agreement in 2001. Of the payments due to Iowa, 78.0% is dedicated to bond payments while 22.0% is deposited in the Endowment for Iowa's Health Account.

The 2001 General Assembly passed SF 532 that authorized securitization of the tobacco settlement payment. The Act authorized the sale of \$600.0 million tax-exempt and \$50.0 million taxable securities for 30 years. The net tax-exempt proceeds (\$540.0 million) were placed in the Tobacco Settlement Trust Fund Restricted Capital Funds Account. These funds are used for litigation payments, qualified capital projects, and certain debt service. The net taxable proceeds (\$39.6 million) were placed in the Endowment for Iowa's Health Account, to create an endowment for future appropriations for health-related programs. The 2001 General Assembly also created the Healthy Iowans Tobacco Trust, which provides a mechanism to appropriate funds from the Endowment for health-related programs.

The 2005 General Assembly passed several bills that impacted the Endowment, Restricted Capital Fund, and the Healthy Iowans Tobacco Trust Fund:

- House File 882 (FY 2006 Standing Appropriations Act) eliminated the FY 2006 General Fund appropriation of \$29.6 million to the Endowment. The Act also repealed a statutory provision that required the General Fund to reimburse \$171.5 million to the Endowment for Iowa's Health Account. House File 882 also includes appropriations from the Healthy

**TOBACCO SETTLEMENT (Contd.)**

Iowans Tobacco Trust to the Department of Public Health.

- House File 862 (FY 2006 Healthy Iowans Tobacco Trust Appropriations Act) transfers \$7.6 million from the Endowment to the Healthy Iowans Tobacco Trust. This transfer is in addition to the \$58.4 million standing appropriation from the Endowment to the Trust. The Act also appropriates funds from the Healthy Iowans Tobacco Trust to the Departments of Public Health, Human Services, Corrections, Education, and the Department for the Blind.
- House File 811 (FY 2006 Justice System Appropriations Act) appropriates \$800,000 from the Healthy Iowans Tobacco Trust to the eight Community-Based Corrections District Departments.

The following page provides balance sheets for the Endowment and the Healthy Iowans Tobacco Trust. Please refer to the Infrastructure Funding Section for information related to the Restricted Capital Fund.

## TOBACCO SETTLEMENT (Contd.)

## Endowment For Iowa's Health Account

	Estimated FY 2005	Estimated FY 2006
<b>Resources</b>		
Beginning Balance	\$ 27,187,146	\$ 38,845,798
General Fund Appropriation	29,785,000	29,562,000
Deappropriation	- 29,785,000	- 29,562,000
Wagering Tax Allocation	70,000,000	70,000,000
22.0% of Master Settlement Agreement Payment	12,122,000	12,320,000
Litigation Revenue	3,582,000	3,076,000
Interest Earned	750,000	750,000
<b>Total</b>	<b>\$ 113,641,146</b>	<b>\$ 124,991,798</b>
<b>Appropriations</b>		
Healthy Iowans Tobacco Trust Standing Appropriation	\$ 57,512,311	\$ 58,374,995
Healthy Iowans Tobacco Trust Transfer	6,316,077	7,600,000
Transfer to Rebuild Iowa Infrastructure Fund	10,966,960	0
<b>Total</b>	<b>74,795,348</b>	<b>65,974,995</b>
<b>Ending Balance</b>	<b>\$ 38,845,798</b>	<b>\$ 59,016,803</b>

## Healthy Iowans Tobacco Trust Fund

	Estimated FY 2005	Estimated FY 2006
<b>Resources</b>		
Beginning Balance	\$ 107,654	\$ 263,806
Transfer from the Endowment	57,512,311	58,374,995
Endowment (Wagering Tax Allocation)	6,316,077	7,600,000
Interest Earned	120,000	120,000
<b>Total</b>	<b>\$ 64,056,042</b>	<b>\$ 66,358,801</b>
<b>Appropriations</b>		
<b>Department</b>	<b>Intended Use</b>	
Public Health	Tobacco Use Prevention/Control, Sub. Abuse, Healthy Iowans 2010, Center for Congenital & Inherited Disorders Defibrillator Grant Program	\$ 19,509,525 \$ 20,907,525
Human Serv.	Supplement Children's Health Insurance Program (CHIP)	200,000 200,000
	Purchase of Service Providers	146,750 146,750
	Supplement Medicaid Appropriation from General Fund	35,013,803 35,013,803
	Children and Family Services	4,257,623 4,257,623
	Health-Related Programs	274,000 274,000
Corrections	Day Programming, Drug Courts, Sub. Abuse Treatment, Clinical Care Unit	2,107,285 3,201,285
Education	Iowa Empowerment Fund	2,153,250 2,153,250
Blind	Statewide Newsline	130,000 130,000
<b>Total Appropriations</b>		<b>63,792,236 66,284,236</b>
<b>Ending Balance</b>	<b>\$ 263,806</b>	<b>\$ 74,565</b>

**SENIOR LIVING TRUST FUND**

The General Assembly appropriated a total of \$110.0 million from the Senior Living Trust Fund to the Departments of Commerce, Elder Affairs, Human Services (DHS), Inspections and Appeals, and the Iowa Finance Authority (IFA) for FY 2006 as follows:

- \$100.0 million to the DHS for the Medical Assistance (Medicaid) Program.
- \$8.3 million to the Department of Elder Affairs for the Senior Living Program.
- \$733,000 to the Department of Inspections and Appeals for assisted living and adult day services oversight.
- \$700,000 to the IFA for the Assisted Living Rent Subsidy Program.
- \$250,000 to the Department of Commerce as a contingent appropriation for the Prescription Drug Assistance Program if federal funds are not received by October 2005.

House File 841 (Iowacare Medicaid Reform Act) eliminated Intergovernmental Transfers (IGTs); therefore, the Fund will no longer receive deposits from this revenue source beginning in FY 2006. It is estimated that at the close of FY 2006, the Fund will have an ending balance of \$30.8 million as shown in the table on the following page.

## SENIOR LIVING TRUST FUND (Contd.)

Senior Living Trust Fund  
(\$ in millions)

	<b>Estimated FY 2006</b>
<b>Revenues</b>	
Beginning Balance	\$ 138.2
Interest	2.6
<b>Total Revenues</b>	<u>140.8</u>
<b>Expenditures</b>	
IFA - Asst'd. Living Rent Subsidy	<u>0.7</u>
DHS Service Delivery	
HCBS Elderly Waiver	0.7
NF Case Mix and Price Methodology	30.0
Medical Assist. Program (Medicaid)	69.0
DHS Administration and Contracts	0.3
DHS Total	<u>100.0</u>
DEA Service Delivery	
Senior Living Program	7.7
DEA and Contract Administration	0.6
DEA Total	<u>8.3</u>
DIA - Asst'd. Living and Adult Day Care	0.7
Dept. of Commerce - Contingent Approp.	0.3
<b>Total Expenditures</b>	<u>\$ 110.0</u>
<b>Ending Balance</b>	<u><u>\$ 30.8</u></u>

IFA = Iowa Finance Authority

DHS = Department of Human Services

HCBS = Home and Community-Based Services

NF = Nursing Facility

DEA = Department of Elder Affairs

DIA - Department of Inspections and Appeals

## ENVIRONMENT FIRST FUND



The Environment First Fund was created by the 2000 General Assembly to provide funding for the protection, conservation, enhancement, or improvement of natural resources or the environment. The

Environment First Fund receives an annual appropriation of \$35.0 million from the Rebuild Iowa Infrastructure Fund (RIIF). The General Assembly annually appropriates from the Environment First Fund for specific environmental projects. For FY 2006, \$14.0 million is appropriated to the Department of Agriculture and Land Stewardship for soil and water conservation initiatives, \$500,000 to the Department of Economic Development for the Brownfield Redevelopment Program, and \$20.5 million to the Department of Natural Resources (DNR) for environmental programs. Included in the DNR funding is \$11.0 million for the Resource Enhancement and Protection (REAP) Fund.

The General Assembly established the Honey Creek Premier Destination Park Authority and the Honey Creek Premier Destination Park Bond Fund. The Authority is authorized to issue up to \$28.0 million in bonds for the development and expansion of the Destination Park, which includes construction of lodges, campgrounds, cabins, and golf courses. The operation of the Park facilities will be contracted to the private sector. A portion of the revenues generated from the operations will be used to pay the debt service on the bonds.

The DNR also received a \$3.0 million appropriation from the Rebuild Iowa Infrastructure Fund for costs associated with the development of the Destination Park.



## ENVIRONMENT FIRST FUND (Contd.)

Environment First Fund  
(\$ in millions)

<b>Resources</b>	<b>FY 2006</b>
Rebuild Iowa Infrastructure Fund Approp.	<u>\$ 35.0</u>
<b>Expenditures</b>	
<b>Department of Agriculture</b>	
Conservation Reserve Enhancement Program (CREP)	1.5
Watershed Protection Program	2.7
Farm Demonstration Program	0.9
Soil Conservation Cost Share	5.5
Agricultural Drainage Wells	0.5
Conservation Reserve Program (CRP)	2.0
Loess Hills Conservation Authority	0.6
Southern Iowa Conservation and Development Authority	0.3
Total Department of Agriculture	<u>14.0</u>
<b>Department of Natural Resources</b>	
Geographic Information System Development	0.1
Volunteer Water Quality Initiatives	0.1
Water Quality Monitoring Stations	3.0
Water Quality Protection	0.5
Air Quality Monitoring Equipment	0.5
Lake Dredging	1.0
Marine Fuel Tax Capital Projects	2.3
Park Operations	2.0
REAP Formula Allocation	11.0
Total Department of Natural Resources	<u>20.5</u>
<b>Department of Economic Development</b>	
Brownfield Redevelopment Program	0.5
<b>Total Expenditures</b>	<u><u>\$ 35.0</u></u>

REAP = Resource Enhancement and Protection Fund

# **GOVERNMENT FINANCE AND TAXATION**

## EXPENDITURE LIMITATION



In the 1980s and early 1990s, Iowa experienced serious financial problems including tax revenues below expectations; expenditures above budget; and a lack of reserves. The Legislature established spending limits and reformed the budget process restoring fiscal integrity, improving cash flow, and creating balances in reserve funds.

The Governor and the General Assembly have statutory responsibility to balance the budget. In 1992, several statutory reforms were enacted to provide long-term solutions to the State's budget problems. These included the "Expenditure Limitation" laws.

- Spending is limited to 99.0% of adjusted revenues, 95.0% of any new revenue implemented in a fiscal year, and any carry-over from the previous year.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference or a later estimate during the legislative session, if it is lower, as a basis to determine the General Fund Budget for the following fiscal year. If the General Assembly holds an Extraordinary Session prior to the beginning of the fiscal year to which the lower estimate applies, the Governor and Legislature are required to use the lower estimate.
- In HF 881 (Salary Act), the General Assembly notwithstanding this requirement (Sec.8.22A(3), Code of Iowa, permitting the use of the April REC estimate in calculating the expenditure limitation. This added \$84.2 million (99.0% of the \$85.0 million) to the FY 2006 expenditure limitation.
- Three reserve accounts or funds have been created: the Cash Reserve Fund; the GAAP Deficit Reduction Account; and the Economic Emergency Fund (Rainy Day Fund).
- Expenditures from these reserve funds are limited by statute.

## IOWA'S RESERVE FUNDS (RAINY DAY FUNDS)

### Cash Reserve Fund

- The year-end General Fund Surplus (ending balance) is appropriated to the Cash Reserve Fund. Beginning in FY 2006, an amount equal to 1.0% of the adjusted revenue estimate is appropriated from the year-end General Fund Surplus (ending balance) to the Senior Living Trust Fund before funds would be transferred to the Cash Reserve Fund. If the surplus is less than 2.0% of the adjusted revenue estimate, then the amount appropriated will be equal to one-half of the surplus. The appropriation to the Senior Living Trust Fund will continue each year until a total of \$118.0 million has been appropriated.
- The cash reserve goal is 7.5% of the General Fund revenues (statute amended from 5.0% during the 2002 Session).
- Moneys in the Cash Reserve Fund may be used for cash flow purposes but shall be returned by the end of the fiscal year.
- Expenditures from the Cash Reserve Fund are limited to nonrecurring emergency expenditures.
- The Omnibus FY 2005 Appropriations Act, notwithstanding conflicting provisions of Section 8.56, Code of Iowa, and appropriated \$159.6 million for tax credits which had previously been funded by the General Fund.
- For FY 2006, the General Assembly notwithstanding Section 8.57, Code of Iowa, which requires the ending General Fund Surplus to be appropriated to the Cash Reserve Fund and appropriated \$159.7 million of the Surplus to the Property Tax Credit Fund for property tax credits. The remainder of the Surplus is appropriated to the Cash Reserve Fund.

### Generally Accepted Accounting Principles (GAAP) Deficit Reduction Fund

- Unexpended money from the General Fund, after the Cash Reserve Fund target is made, is also deposited to the GAAP Fund.
- Funds are appropriated for the purpose of eliminating the State's GAAP deficit. The GAAP deficit was eliminated during FY 1995.

## IOWA'S RESERVE FUNDS (RAINY DAY FUNDS) (Contd.)

### The Economic Emergency Fund

- Established in 1984 and modified in recent years.
- The maximum balance of the Fund is 2.5% of the adjusted General Fund revenue estimate (statute amended from 5.0% during the 2002 Session).
- Once all GAAP obligations are retired, remaining funds are credited to the Economic Emergency Fund.
- Moneys in the Economic Emergency Fund may be used for cash flow purposes but shall be returned by the end of the fiscal year.
- Spending from the Fund is limited to emergency expenditures.
- Allows for an appropriation from the Economic Emergency Fund to reduce a negative ending balance in the State General Fund. The appropriation is limited to \$50.0 million and is contingent upon certain circumstances.

### Reserve Fund Appropriations/Transfers (\$ in millions)

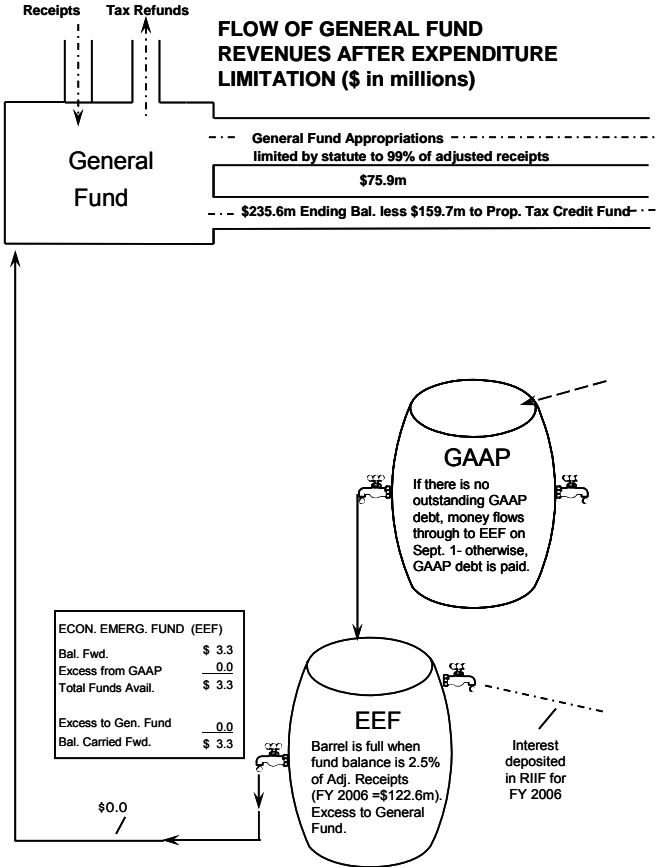
Fund	Actual 2004	Est. 2005	Est. 2006
Cash Reserve	\$ 63.3*	\$ 159.6**	\$ 0.0
GAAP	0.0	0.0	0.0
Economic Emerg.	0.0	0.0	0.0

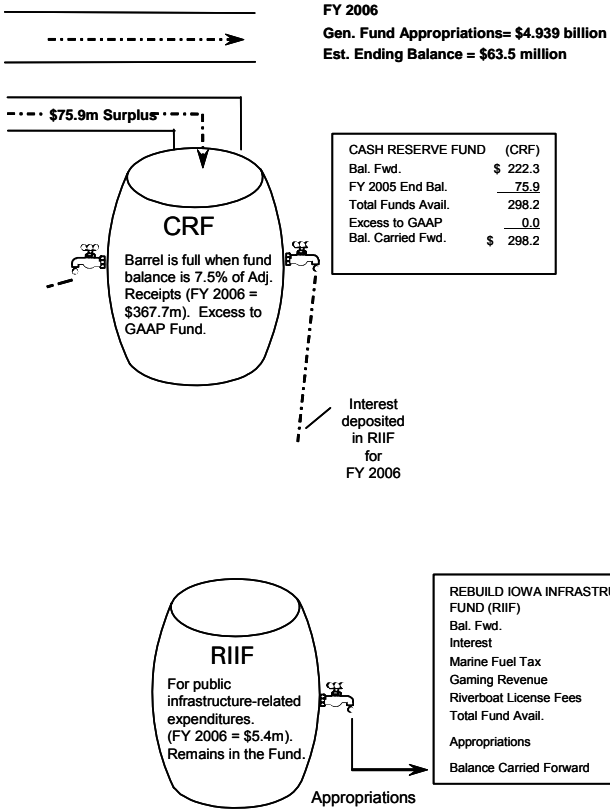
### Reserve Fund Balances (\$ in millions)

Fund	Actual 2004	Est. 2004	Est. 2006
Cash Reserve	\$ 159.7	\$ 222.3	\$ 298.2
GAAP	0.0	0.0	0.0
Economic Emerg.	3.3	3.3	3.3

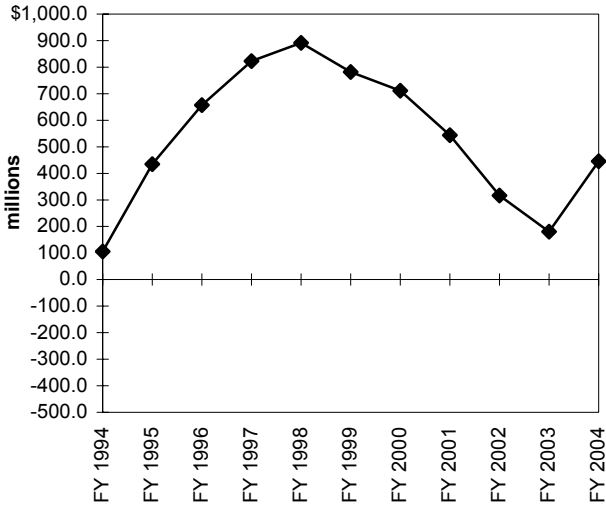
\* \$17.5 million was transferred to the Environment First Fund in HF 2538.  
\$45.8 million was transferred to the General Fund to close out FY 2003.

\*\* The Omnibus FY 2005 Appropriations Act, notwithstanding conflicting provisions of statute and appropriated \$159.7 million from the Cash Reserve Fund for tax credits previously funded from the General Fund.





**GENERAL FUND BALANCE  
UNRESERVED - GAAP BASIS  
FY 1994 - FY 2004**



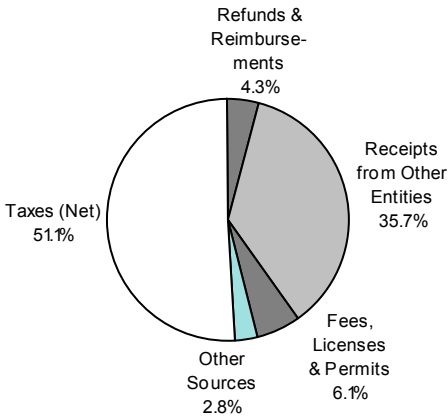
GAAP = Generally Accepted Accounting Principles

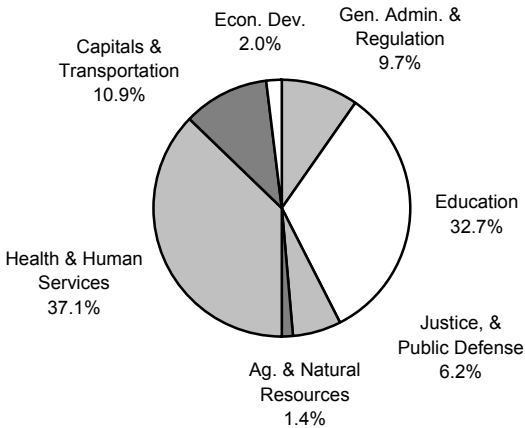
- Changes in the budgetary/legal basis fund balance will have a direct impact on the GAAP basis fund balance.
- In FY 1992, the State initiated a plan to eliminate the GAAP deficit by FY 1995. Budget reform initiatives, a solid Iowa economy, implementation of Governmental Accounting Standards Board Statement No. 22, (*Accounting For Taxpayer-Assessed Tax Revenues in Governmental Funds*), and a 25.0% increase in the State sales, services, and use tax, were the primary reasons for the early elimination of the GAAP deficit.



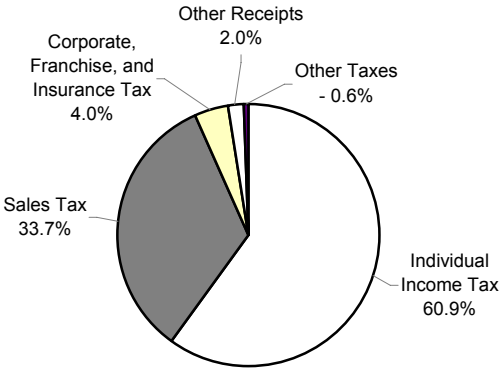
**STATE FUNDING SOURCES**

Most State operations are accounted for through governmental fund types (as specified in the Iowa Comprehensive Annual Financial Report): General, Tobacco, and Non-Major. Governmental revenues and other financing sources totaled \$10.1 billion for FY 2004. Net tax receipts increased \$248.5 million (5.1%) compared to FY 2003. Receipts from other entities increased \$29.8 million (3.7%) and refunds and reimbursements decreased \$343.0 million (- 44.1%) compared to FY 2003.

**FY 2004 State Revenue Sources**

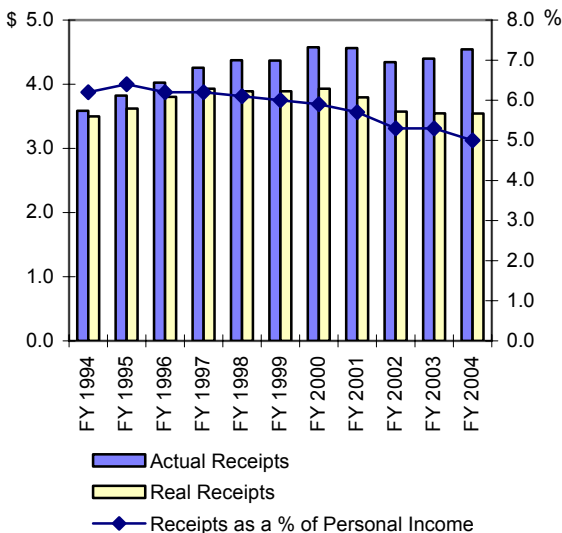
**STATE EXPENDITURES  
GOVERNMENTAL FUNDS****FY 2004 State Governmental Expenditures**

- 
- Includes General Fund and all Other Governmental Funds. (Comprehensive Annual Financial Report)
  - Governmental expenditures totaled \$10.1 billion for FY 2004, a decrease of \$177.6 million (- 1.7%) compared to FY 2003.
  - Revenues for FY 2004 exceeded expenditures by \$21.8 million. Net transfers increased the surplus to \$146.0 million for the year.

**SOURCES OF GENERAL FUND GROWTH  
FY 1994 - FY 2004**

- 
- The chart above does not include transfers to the General Fund from other funds, and percentages have not been adjusted for refunds.
  - Total receipts net of refunds and excluding transfers increased \$956.2 million from FY 1994 to FY 2004. This represents an average annual increase of 2.4%.
  - Since FY 1994, growth in personal income tax accounted for 60.9% of the total increase in General Fund receipts. Sales and use tax was second, and accounted for 33.7% of the total increase. Taxes paid by businesses (corporate income, franchise tax, and insurance tax) account for 4.0% of the increase. The percentages in this paragraph have not been adjusted for refunds.

**GENERAL FUND RECEIPTS HISTORY**  
**FY 1994 - FY 2004**  
**(\$ in billions)**



- Actual General Fund Receipts are net of refunds and are not adjusted for accrued revenue or transfers.
- Real Receipts are actual net General Fund Receipts adjusted for inflation, using the Consumer Price Index - all urban consumers (CPI-U).
- Receipts as a Percentage of Personal Income are actual net receipts divided by Personal Income. This is a measure of the change in the magnitude of the General Fund relative to the income of all Iowans.
- From FY 1994 through FY 2004, Iowa General Fund net receipts grew \$956.0 million (26.7%). During that same period, Iowa's total State personal income grew \$32.4 billion (56.0%).
- In FY 1994, Iowa General Fund net receipts equaled 6.2% of total State personal income. In FY 2004, net General Fund receipts equaled 5.0% of personal income.
- Adjusted for inflation, General Fund net receipts decreased 1.2% from FY 1994 to FY 2004.

**GENERAL FUND EXPENDITURES  
SHIFTED TO OTHER FUNDING SOURCES  
(\$ in millions)**

	Est. FY 2005	Est. FY 2006
Medical Assistance (Medicaid)	\$ 207.0	\$ 158.0
Property Tax Credits	159.7	159.7
ICN and Prison Debt Service	28.9	15.7
DPH - Substance Abuse	11.8	11.8
Elderly Services	8.2	8.3
Soil Conservation Cost Share	5.5	5.5
DHS Programs	4.4	4.4
DNR Park Operations	2.0	2.0
Judicial Branch	0.0	7.0
Other	2.5	1.6
<b>Total</b>	<b>\$ 430.0</b>	<b>\$ 374.0</b>

## MAJOR STATE AND LOCAL TAX SOURCES

State Taxes	2005 Rate	Description
Individual Income Tax	0.36% to 8.98%	<ul style="list-style-type: none"> <li>• Tax is paid on personal net income earned in Iowa. For tax year 2004, the filing threshold for a couple is \$13,500. The top rate applies to couple's taxable income in excess of \$57,105.</li> </ul>
Sales and Use Tax	5.00%	<ul style="list-style-type: none"> <li>• Tax is paid on the final sale of most goods and enumerated services. Food, prescription drugs, and professional services are the major exceptions.</li> </ul>
Motor Vehicle Fuel Tax		
Gasoline	\$0.207 per gallon	<ul style="list-style-type: none"> <li>• Tax is paid on purchases of various gas and fuel sources. Receipts are deposited in the Road Use Tax Fund.</li> </ul>
Ethanol	\$0.190 per gallon	
Diesel	\$0.225 per gallon	
Corporate Income Tax	6.00% to 12.00%	<ul style="list-style-type: none"> <li>• Tax is paid on net income of corporations doing business within Iowa. Top rate applies to taxable income over \$250,000.</li> </ul>
Insurance Premium Tax	1.25% to 1.50%	<ul style="list-style-type: none"> <li>• Tax is imposed on adjusted gross amount of premiums (excluding annuities) of every insurance company except fraternal beneficiary associations.</li> </ul>
Cigarette Tax	\$0.36 per package	<ul style="list-style-type: none"> <li>• Tax is imposed on the sale of cigarettes.</li> </ul>
Tobacco Tax	22.00%	<ul style="list-style-type: none"> <li>• Tax is imposed on the wholesale price of tobacco, excluding tobacco subject to the cigarette tax.</li> </ul>
Franchise Tax	5.00%	<ul style="list-style-type: none"> <li>• Tax is imposed on the net income of most types of banks and financial institutions. Credit unions are taxed differently.</li> </ul>

**MAJOR STATE AND LOCAL  
TAX SOURCES (Contd.)**

<b>State Taxes</b>	<b>2005 Rate</b>	<b>Description</b>
Inheritance Tax	1.00% to 15.00%	<ul style="list-style-type: none"> <li>• Tax is imposed on beneficiaries other than lineal descendants. Rates and brackets vary according to relationship of beneficiary to the deceased.</li> </ul>
<b>Local Taxes</b>	<b>2005 Rate</b>	<b>Description</b>
Property Tax	Varies - the residential average rate is approximately 3.1% of taxable valuation.	<ul style="list-style-type: none"> <li>• Tax is imposed on the taxable value of real property, including land and buildings. For FY 2005, residential property is taxed at 48.5% of its market value.</li> </ul>
Local Option Sales Tax	1.00%	<ul style="list-style-type: none"> <li>• Tax is added to general State sales tax but not to use tax. State remits collections to local cities and counties.</li> </ul>
Local Option Sales Tax for Schools	1.00%	<ul style="list-style-type: none"> <li>• Tax is added to general State sales tax but not to use tax. State remits collections to school districts.</li> </ul>
Hotel/Motel Tax	Varies - it may not exceed 7.00%.	<ul style="list-style-type: none"> <li>• Tax is imposed on the gross receipts of hotel and motel room rentals. Disbursed to local governments imposing the tax.</li> </ul>
Individual Income School District Surtax	Varies - it may not exceed 20.00% of State income tax liability.	<ul style="list-style-type: none"> <li>• Tax is imposed by school districts on residents' State income tax payments.</li> </ul>

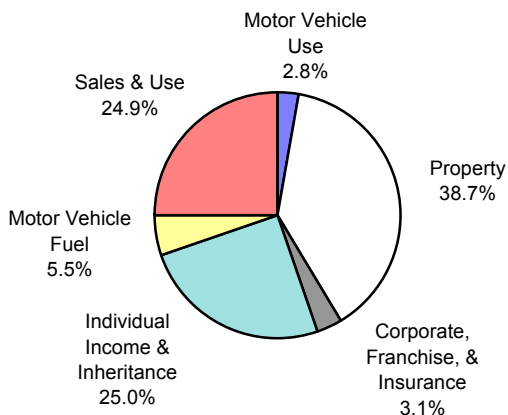
**GENERAL FUND RECEIPTS**  
**(\$ in millions)**

	Estimated FY 2006 REC	Percent of Total Receipts
<b>Tax Receipts</b>		
Personal Income Tax	\$ 2,790.9	49.3%
Sales/Use Tax	1,849.9	32.7
Corporate Income Tax	295.7	5.2
Inheritance Tax	74.7	1.3
Insurance Premium Tax	129.8	2.3
Cigarette Tax	86.2	1.5
Tobacco Tax	8.3	0.1
Beer Tax	14.1	0.3
Franchise Tax	36.4	0.7
Miscellaneous Tax	1.0	0.0
<b>Total Tax Receipts</b>	<b>5,287.0</b>	<b>93.4%</b>
<b>Other Receipts</b>		
Institutional Payments	12.8	0.2%
Liquor Profits	59.0	1.0
Interest	7.5	0.1
Fees	69.4	1.3
Judicial Revenue	57.3	1.0
Miscellaneous	27.7	0.5
Racing and Gaming	60.0	1.1
Transfers	67.2	1.2
Accruals (Net)	12.6	0.2
<b>Total Other Receipts</b>	<b>373.5</b>	<b>6.6%</b>
<b>Total Receipts</b>	<b>5,660.5</b>	<b>100.0%</b>
Refunds	- 672.5	- 11.9%
<b>Net Receipts</b>	<b>\$ 4,988.0</b>	<b>88.1%</b>

REC = Revenue Estimating Conference (April 2005)



**DISTRIBUTION OF MAJOR STATE AND LOCAL  
TAX SOURCES - ACTUAL FY 2004  
(\$ in millions)**



Tax	Rate	Actual FY 2004	Percent of Major Tax Sources
Property	3.08%	\$ 3,452.3	38.7%
Individual Income	0.36% - 8.98%	2,092.7	23.5
Sales & Use	5.00%	1,690.0	19.0
Local Option Sales	1.00% - 2.00%	389.9	4.4
Local Option Inc.	20.0% IA inc. tax	52.4	0.6
Hotel/Motel	up to 7.00%	26.9	0.3
Motor - Fuel	\$0.190 - \$0.225	487.1	5.5
Corporate Income	6.00% - 12.00%	98.2	1.1
Motor - Use	5.00%	251.3	2.8
Insurance Premium	1.25% to 1.50%	138.0	1.5
Tobacco	\$0.36 per pack	95.1	1.1
Beer	\$0.19 per gallon	14.1	0.2
Inheritance	1.00% - 15.00%	82.4	0.9
Franchise	5.00%	36.3	0.4
Total		<u><u>\$ 8,906.7</u></u>	<u><u>100.0%</u></u>

Note:

Receipts are net of refunds.

## STATE GAMBLING

Wagering Tax Revenue  
(\$ in millions)

Fiscal Year	Pari-Mutuel	Riverboats	Slot Machines	Total
1996	\$ 1.1	\$ 56.4	\$ 49.3	\$ 106.8
1997	1.1	75.3	48.9	125.3
1998	1.0	84.5	55.2	140.7
1999	0.8	92.9	65.4	159.1
2000	0.6	103.3	75.8	179.7
2001	0.5	106.3	80.8	187.6
2002	0.4	116.5	89.5	206.4
2003	0.4	120.9	57.8	179.1
2004	0.4	130.3	85.5	216.2
Est. 2005	0.4	143.5	72.4	216.3
Est. 2006	0.4	143.5	72.4	216.3

Wagering Tax Allocations  
(\$ in millions)

Fund	Actual FY 2003	Actual FY 2004	Est. FY 2005	Est. FY 2006
General Fund	\$ 60.0	\$ 60.0	\$ 60.0	\$ 60.0
Vision Iowa	15.0	15.0	15.0	15.0
School Infrastructure	5.0	5.0	5.0	5.0
Endowment for Iowa's Health Account	75.0	70.0	70.0	70.0
Rebuild Iowa Infrastructure Fund	27.6	79.7	69.2	69.2
Total	<u>\$ 182.6</u>	<u>\$ 229.7</u>	<u>\$ 219.2</u>	<u>\$ 219.2</u>

Notes:

- 1) On April 19, 2004, the General Assembly passed HF 2302 (FY 2004 Gambling Act) changing the tax rates from 20.0% for all riverboats and racetrack casinos to 22.0% for all riverboats and for Dubuque, 24.0% for Prairie Meadows, and 24.0% for Bluffs Run unless that track decides not to have table games, then its tax is 22.0%.
- 2) Cities and counties in which the gaming takes place, the Gamblers Treatment Fund, and a new County Endowment Fund each receive 0.5% of the adjusted gross receipts (AGR) for off-the-top allocations.

**STATE GAMBLING (Contd.)**

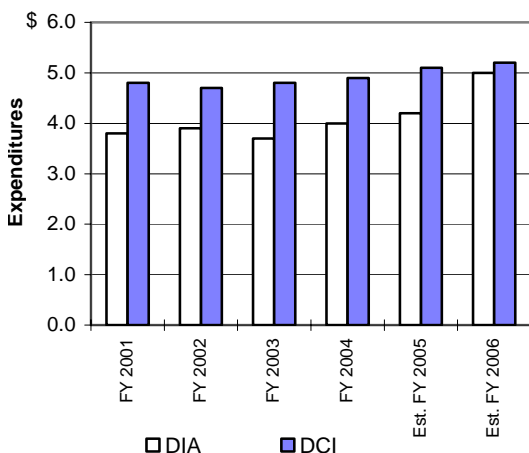
- 3) In addition to the receipts from slot machines and pari-mutuel wagering, the State received \$23.6 million in FY 2004 as a retro-active gaming tax on FY 2003 and FY 2004 AGR of racetrack casinos in FY 2004.
- 4) In FY 2005, the racetrack casinos have a one-time opportunity to obtain a table games license at a cost of \$3.0 million for Dubuque and \$10.0 million for the other racetrack casinos. Those licenses must be purchased by June 1, 2005. As of May 1, 2005, Prairie Meadows had purchased its license.
- 5) In FY 2005 and FY 2006, all riverboats will pay a Rebuild Iowa Infrastructure Fund (RIIF) assessment of 2.152% of AGR. This will generate \$15.0 million each year.
- 6) Both the license fees for table games and the RIIF assessments can be used as a tax credit of 20.0% per year for five years beginning in FY 2009 and FY 2010, respectively.
- 7) The Racing and Gaming Commission approved the following four new excursion gambling boat licenses on May 11, 2005.
  - Wild Rose Emmetsburg, LLC - Palo Alto County Gaming Development Corporation.
  - Diamond Jo Worth, LLC - Worth County Development Authority.
  - IOC Black Hawk County, Inc. - Black Hawk County Gaming Association.
  - Washington County Casino Resort, LLC - Washington County Riverboat Foundation, Inc.

The initial license fee for the new boats is based on county populations as follows:

- Two licensees (Worth and Palo Alto) at \$5.0 million in counties with a population of less than 15,000.
- One licensee (Washington) at \$10.0 million in a county with a population between 15,000 and 100,000.
- One licensee (Black Hawk) at \$20.0 million in a county with a population over 100,000.

The fee will be paid at the rate of 20.0% per year beginning within 30 days of May 11, 2005, and annually through FY 2009. It is estimated that the new boats will not become operational until FY 2008.

## STATE GAMBLING (Contd.)

Regulatory Expenditures  
(\$ in millions)

- The Racing and Gaming Commission within the Department of Inspections and Appeals (DIA) processes occupational license applications; prepares administrative rules; reviews incident reports, licensing applications, and background checks; and observes activities to ensure compliance with laws and regulations.
- The Division of Criminal Investigation (DCI) of the Department of Public Safety performs background checks and provides on-site enforcement of regulations.

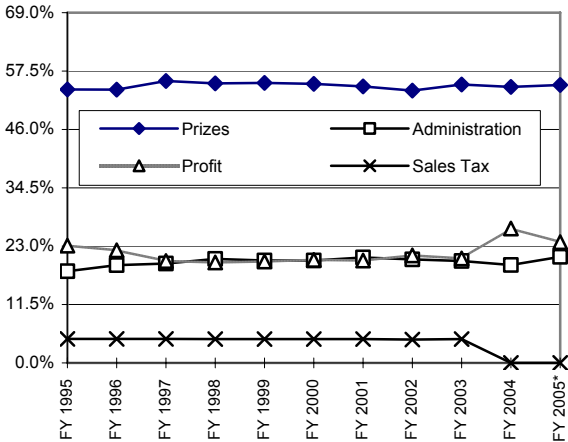
Regulatory Expenditures  
(\$ in millions)

	Actual FY 2004	Estimated FY 2005	Estimated FY 2006
Riverboats			
DCI	\$ 4.4	\$ 4.4	\$ 4.4
DIA	\$ 1.8	\$ 1.8	\$ 2.4
Pari-Mutuel			
DCI	\$ 0.5	\$ 0.7	\$ 0.8
DIA	\$ 2.2	\$ 2.4	\$ 2.6

DCI = Division of Criminal Investigation

DIA = Department of Inspections and Appeals

### LOTTERY EXPENSES AS A PERCENT OF TOTAL REVENUE



- The sales tax on Lottery sales was eliminated during the 2003 Legislative Session beginning in FY 2004 by HF 534 (Department of Administrative Services Act). The amount that was transferred to the General Fund as sales tax will now be transferred with the other Lottery profits.
- The percentage of Lottery revenue returned to Lottery players in the form of prizes has been approximately 55.0% beginning in FY 1997.
- House File 655 (FY 2004 Administration and Regulation Appropriations Act) required the Lottery to deduct \$500,000 from calculated retained earnings before making Lottery proceeds transfers to the General Fund during FY 2004. This was a continuation from FY 2003 and the impact was a one-time increased transfer of \$500,000 during FY 2003. It was not continued in FY 2005, resulting in a one-time reduction in transfers of \$500,000 for FY 2005.
- Included in the proceeds transfer for FY 2003 was \$1.2 million for Iowa's share of an unclaimed Powerball ticket sold in Indiana.
- Included in the proceeds transfer for FY 2004 are unclaimed prizes totaling \$498,000 from Powerball and \$840,000 from the Free Play Replay.

\*The FY 2005 information is through March 2005.

## RESOURCE ENHANCEMENT AND PROTECTION (REAP) FUND



The Resource Enhancement and Protection (REAP) Fund was created by the 1989 Legislature with the goal of protecting Iowa's resources. Provisions in the Code of Iowa require the Program to receive a standing appropriation up to \$20.0 million from the General Fund for each year between FY 1992 and FY 2021. The Department of Natural Resources (DNR) administers the REAP funds.

The Resource Enhancement and Protection Program is a long-term integrated effort to use and protect Iowa's natural resources through:

- The acquisition and management of public lands.
- The upgrading of public park and preserve facilities.
- Environmental education, monitoring, and research.

Funding for the Resources Enhancement and Protection (REAP) Fund is appropriated from the Environment First Fund. For FY 2004 and FY 2005, \$11.0 million was appropriated to the REAP Fund. This amount will also be appropriated for FY 2006.

**IOWA'S CASH MANAGEMENT PRACTICES**

Iowa's cash is managed by the State Treasurer's Office. To earn the most interest possible, cash is invested as soon as it is collected, while enough cash remains on hand to pay State bills. Funds of State agencies which are temporarily available for investment are pooled together and invested in certificates of deposit, U.S. Treasury bills and notes, and other corporate debt instruments as allowed by law. Investment goals are set by statute:

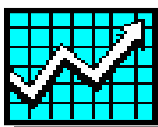
- Safety - restrictions on types of investments, limits on credit risk, maturities, and use of leverage is prohibited.
- Liquidity - always have the next 60 days of bills funded; purchase liquid securities.
- Yield - core portfolio invested for longer periods; use of laddered maturities.

The current size of the investment pool is approximately \$1.5 billion. The realized cash annual rate of return for FY 2004 was 2.12%.

**DEBT ADMINISTRATION**

The Constitution of the State of Iowa prohibits the State from exceeding a maximum of \$250,000 in general obligation debt without voter approval. However, statute authorizes the issuance of Tax and Revenue Anticipation Notes (TRANS), provided the total issuance does not exceed anticipated revenue receipts for the fiscal year and the total issuance mature during the fiscal year.

- In FY 2004, the State issued \$577.9 million in TRANS.
- To date in FY 2005, the State has issued \$377.6 million in TRANS.

**DEBT MANAGEMENT**

The State of Iowa reported total outstanding debt of \$8.247 billion on June 30, 2004, for all governmental entities. This represents an increase of \$349.7 million (4.4%) compared to FY 2003.

Entities that reported increases in debt during FY 2004 include: cities - \$186.8 million increase (5.9%), counties - \$15.8 million increase (4.2%), Schools - \$82.4 million increase (5.3%), Community Colleges - \$12.1 million increase (4.8%), the Board of Regents - \$76.3 million increase (11.8%), and Other - \$11.9 million increase (27.7%).

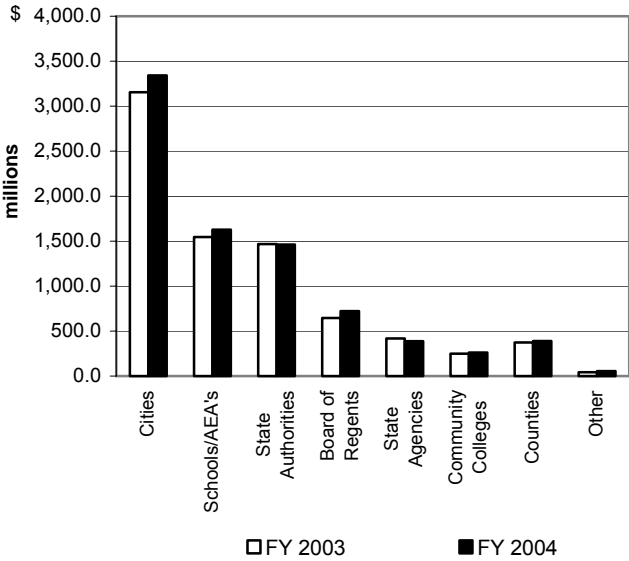
Debt financing is used for a variety of purposes which include: construction and renovation of public buildings, schools, housing and urban development, utilities, jails and prisons, park and recreational facilities, and local streets and parking lots.

A variety of financing mechanisms are available for use by the State and local units of government for public infrastructure improvements. These include:

- General obligation bonds
- Revenue bonds
- Certificates of participation (lease purchase)
- Special assessments on property
- Tax increment financing
- Special tax allocation and dedication such as hotel and motel taxes




## OUTSTANDING DEBT BY ENTITY



Entity	FY 2003	FY 2004
Cities	\$ 3,155.1	\$ 3,341.9
Schools/AEA's	1,545.5	1,627.9
State Authorities	1,467.6	1,462.8
Board of Regents	645.4	721.7
State Agencies	418.0	387.3
Community Colleges	249.6	261.7
Counties	373.7	389.5
Other	42.7	54.6
Total	<u>\$ 7,897.6</u>	<u>\$ 8,247.4</u>

# **BUDGETS AND APPROPRIATIONS**

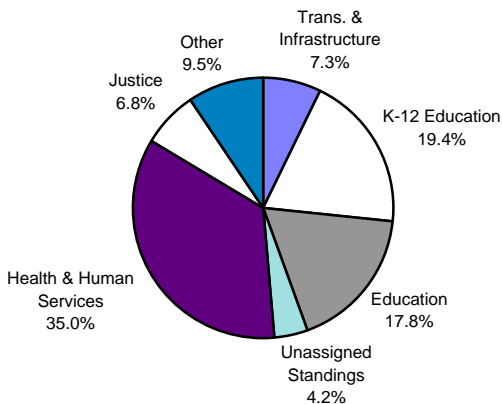
**IOWA'S BUDGET PROCESS**

- The Governor and the State Legislature allocate state resources and set revenue collection levels through the budgeting process.
  - The process begins in June of each year for the fiscal year which starts 12 months later on July 1.
  - State agencies prepare budget requests within the guidelines set by the Governor and submit their requests by October 1.
- 
- The Revenue Estimating Conference meets before December 15 to set revenue estimates which will serve as a basis for the General Fund budget for the following fiscal year.
  - The Governor submits annual recommendations to the Legislature in January.
  - By statute, the Governor's budget must be balanced and must meet expenditure limitations.
  - The Legislature conducts budget hearings during January and February. Recommendations from the eight joint budget subcommittees are passed on to Appropriations Committees and the floor for debate in each chamber.
  - The State Constitution allows the Governor line-item veto authority over appropriations bills.
  - For FY 2006, the Governor and Lt. Governor implemented a new budgeting process entitled "Purchasing Results." The Executive Branch used this process in lieu of the historical practice of automatically recommending the statutory 75.0% of each agency's base budget with decision packages to reinstate the remaining 25.0%.
  - Described as a "buying and selling" practice, the Governor and Lt. Governor acted as purchasers, or "buyers" of government services; the State agencies developed offers, or ideas, to "sell" to the Governor and Lt. Governor.

**IOWA'S BUDGET PROCESS  
(Contd.)**

- Purchasing Results - Results Areas and Indicators were identified to reflect the results that Iowans want and indicators reflecting level of achievement. The five main Result Areas identified by the Governor are:
  - Improve Student Achievement
  - Transform the Economy
  - Improve the Health of Iowans
  - Improve Community Safety, Particularly for Vulnerable Iowans
  - Improve the Quality of Our Natural Resources
- Two additional Results Areas include:
  - Improve Government Accountability
  - Improve the State's Infrastructure
- Each "Buying Team" had an allocation of total expected revenues and ranked the final offers in priority order as recommendations to the Governor and Lt. Governor. These lists, or Purchasing Priorities, showed the Offers in priority order from top to bottom, with a line drawn to show where the allocation of money ran out.

**APPROPRIATED SPENDING  
ESTIMATED FY 2006  
(\$ in millions)**

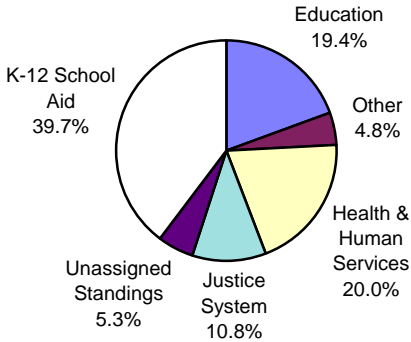


Categories	Est. FY 2006 Appropriations	Percentage
Admin. & Regulation	\$ 211.8	2.1%
Ag. & Natural Resources	112.3	1.1
Economic Development	636.0	6.3
K-12 Education	1,962.8	19.4
Education	1,793.2	17.8
Health & Human Services	3,532.6	35.0
Justice System	684.1	6.8
Trans. & Infrastructure	740.0	7.3
Unassigned Standings	427.5	4.2
Total	<u>\$ 10,100.3</u>	<u>100.0%</u>

Notes:

- 1) This represents appropriations from the General Fund, Federal Funds, and Other Funds.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, and Economic Development.

**DISTRIBUTION OF ESTIMATED FY 2006  
STATE GENERAL FUND APPROPRIATIONS  
(\$ in millions)**

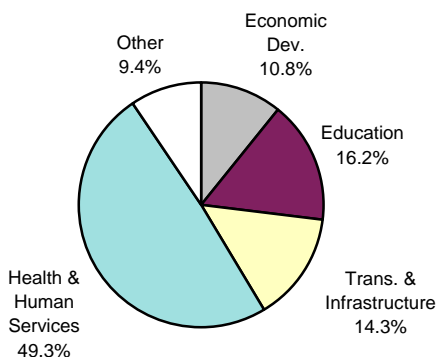


Subcommittee	Est. FY 2006 Appropriations	Percent of Total
Admin. & Regulation	\$ 123.7	2.5%
Ag. & Natural Resources	35.2	0.7
Economic Development	79.6	1.6
Education	957.4	19.4
Health & Human Services	985.6	20.0
Justice System	532.3	10.8
Trans. & Infrastructure	0.9	0.0
Unassigned Standings	261.0	5.3
K-12 School Aid	1,962.8	39.7
Total	<u>\$ 4,938.5</u>	<u>100.0%</u>

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, Economic Development, and Transportation and Infrastructure.

**NON-GENERAL FUND APPROPRIATED FUNDS  
ESTIMATED FY 2006  
(\$ in millions)**

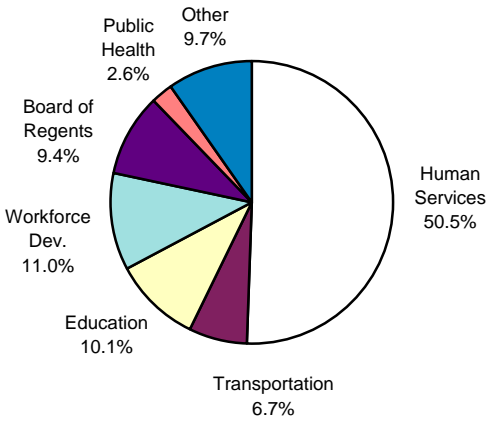


Subcommittee	Estimated FY 2006 Appropriations	Percent of Total
Admin. & Regulation	\$ 88.1	1.7%
Ag. & Natural Resources	77.1	1.5
Economic Development	556.4	10.8
Education	835.8	16.2
Health & Human Services	2,547.0	49.3
Justice System	151.8	3.0
Trans. & Infrastructure	739.1	14.3
Unassigned Standings	166.5	3.2
Total	<u>\$ 5,161.8</u>	<u>100.0%</u>

Notes:

- 1) Sources of non-General Fund appropriations include, but are not limited to: federal funds, the Road Use Tax Fund, the Primary Road Fund, the Tobacco Settlement Fund, and the Rebuild Iowa Infrastructure Fund.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, Justice System, and Unassigned Standings.

**FEDERAL FUNDS  
ESTIMATED FY 2006  
(\$ in millions)**



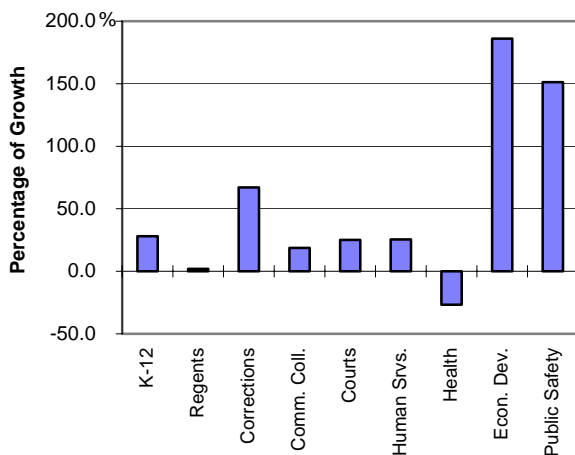
Department	Est. FY 2006	Percent of Total
Human Services	\$ 2,065.0	50.5%
Education	414.6	10.1
Board of Regents	382.0	9.4
Transportation	275.7	6.7
Workforce Development	450.9	11.0
Public Health	105.0	2.6
Other	397.3	9.7
<b>Total</b>	<b>\$ 4,090.5</b>	<b>100.0%</b>

Note:

"Other" includes all other State agencies reporting federal funds.



**GROWTH OF SELECTED  
GENERAL FUND BUDGETS  
FY 1997 - FY 2006**



**CHANGE IN SELECTED BUDGETS  
FY 1997 - FY 2006  
(\$ in millions)**

Budget	Difference	Percent Difference
K-12	\$ 458.5	28.1%
Regents	11.8	1.9
Corrections	112.9	67.1
Community Colleges	23.6	18.7
Courts	24.1	25.1
Human Services	210.3	25.5
Public Health	- 9.3	- 26.7
Economic Development	41.6	186.0
Public Safety	42.1	151.2
Selected Budgets Total	\$ 915.6	114.5%
Total Other Changes	- 116.0	- 14.5%
Total Increase	\$ 799.6	100.0%

**INFRASTRUCTURE FUNDING**

Appropriations from infrastructure revenue sources include funding for environmental programs, technology projects, debt service on certain bonds, as well as capital and infrastructure projects. These appropriations have included five sources of funds: The Rebuild Iowa Infrastructure Fund (RIIF), Restricted Capital Fund of the Tobacco Settlement Trust Fund, Environment First Fund, Vertical Infrastructure Fund, and the General Fund.

The RIIF is estimated to have revenues totaling \$130.1 million for FY 2006, as shown below.

**Rebuild Iowa Infrastructure Fund Receipts**  
**(\$ in millions)**

Beginning Balance	\$ 27.6
State Wagering Tax	69.2
Riverboat License Fees	8.0
Riverboat Assessments	15.0
Reserve Fund Interest	6.0
Miscellaneous	4.3
Total	<u><u>\$ 130.1</u></u>

The revenue in the Restricted Capital Fund is from \$540.0 million of tax-exempt bond proceeds that were issued through the tobacco securitization process, and the interest earned on the proceeds. Appropriations from the Fund are required to be used for depreciable assets, and in a manner that does not adversely affect the tax-exempt status of the bonds.

The General Assembly passed HF 875 (FY 2006 Infrastructure Appropriations Act), which appropriates funds over the next four fiscal years as follows:

**INFRASTRUCTURE APPROPRIATIONS ACT  
(\$ in millions)**

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
General Fund	\$ 0.8	\$ 0.0	\$ 0.0	\$ 0.0
RIIF	43.3	9.0	4.5	2.0
Restricted Capital Fund	29.6	0.0	0.0	0.0
Environment First Fund	35.0	0.0	0.0	0.0
Vertical Infrastructure Fund	15.0	10.0	40.0	40.0
Storm Water Discharge Fees	0.3	0.0	0.0	0.0
	<u>\$ 124.0</u>	<u>\$ 19.0</u>	<u>\$ 44.5</u>	<u>\$ 42.0</u>

RIIF = Rebuild Iowa Infrastructure Fund

**SALARY ADJUSTMENT**

Salary adjustment is an increase allocated to each department's personnel services budget to provide funding for such things as Cost of Living Adjustments (COLA), changes in the cost of health insurance premiums, salary annualization, and merit step increases that will take place sometime during the upcoming fiscal year.

For FY 2006, \$40.9 million was appropriated from the General Fund to the Salary Adjustment Fund administered by the Department of Management. The appropriation excludes the Board of Regents.

Salary annualization is the amount needed to pay for merit step increases that were not included in the prior year's salary adjustment. For example, if an employee received a merit step increase in March 2005, an amount sufficient to pay the merit step increase for three months during FY 2005 would have been included in the FY 2005 salary adjustment. Salary annualization would be included in the FY 2006 salary adjustment for the employee's merit step from July 2005 to March 2006 (nine months).

If all employees had review dates at the beginning of the fiscal year, there would be no salary annualization due to merit step increases. However, if this was the case, the cost of salary adjustment would increase proportionately.

# **STATE AND LOCAL GOVERNMENT**

**ANNUAL COST PER PARTICIPANT  
FOR MAJOR STATE PROGRAMS  
ESTIMATED FY 2005**

		Average Annual Cost Per Participant	
	Number of Participants	State Aid	Total Gov't.
Corrections			
Prison Inmates <sup>a</sup>	8,600	\$ 23,910	\$ 23,910
Education - Students			
K-12 <sup>b</sup>	485,011	\$ 3,879	\$ 5,994
ISD	103	82,238	82,238
IBSSS	33	143,645	143,645
Community Colleges <sup>c</sup>	77,288	1,809	2,055
Regents - Higher Education	49,511	10,039	10,039
Private Colleges <sup>d</sup>	16,060	2,936	2,936
Human Services			
Foster Family Care <sup>e</sup>	2,783	\$ 4,837	\$ 11,454
Group Care <sup>f</sup>	1,192	24,216	45,127
Mental Health Institutions <sup>g</sup>	269	161,130	180,301
State Resource Centers <sup>g</sup>	627	21,211	164,150
Sexual Predator Commitment <sup>h</sup>	51	55,811	55,912
Family Investment Program <sup>i</sup>	19,949	2,027	4,014
Medical Assistance	287,892	2,181	5,984

**Notes:**

a) Average prison population.

b) Total government includes all property tax generated by school aid formula but not individual district levies.

c) Total government includes property tax for operations only. Infrastructure, management, and other levies are not included.

d) Number of participants includes only students who receive tuition grants.

e) Family Foster Care - Average Monthly Participants.

f) Group Care - Average Daily Participants.

g) Represents capacity rather than participants. Reductions of beds with increasing community placement may alter the number.

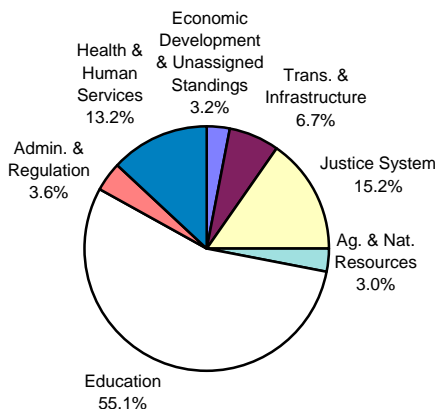
h) As of May 20, 2005.

i) Represents cost per case.

ISD = Iowa School for the Deaf

IBSSS = Iowa Braille and Sight Saving School

### FULL-TIME EQUIVALENT POSITIONS ESTIMATED FY 2006



Subcommittee	Estimated FY 2006	Percent of Total
Admin. & Regulation	1,883.4	3.6%
Ag. & Natural Resources	1,560.2	3.0
Economic Development	1,235.2	2.4
Education	28,688.6	55.1
Health and Human Services	6,857.5	13.2
Justice System	7,902.0	15.2
Trans. & Infrastructure	3,472.0	6.7
Unassigned Standings	401.3	0.8
<b>Total</b>	<b>52,000.2</b>	<b>100.0%</b>

### COLLECTIVE BARGAINING SETTLEMENTS FY 2006 - FY 2007

The values listed in the table below are the cost-of-living adjustments specified by State employee collective bargaining contracts.

	FY 2006	FY 2007
AFSCME	0.00%	2.00%
JUDICIAL AFSCME	0.00%	3.50%
IUP	0.00%	1.00% / 1.50%**
SPOC	0.50% / 1.00%*	1.00% / 1.50%**
UFI	1.50% / 1.00%***	0.00%
PPME	2.00%	2.00%
COGS	1.50%	0.00%
SEIU	4.50% / 4.40%****	0.00%

\*Effective 1/1/06 / 4/1/06

\*\*Effective 7/1/06 / 1/1/07

\*\*\*Effective 7/1/05 / 1/1/06

\*\*\*\*Nursing Staff / Non-Nursing Staff

**Note:**

Contracts allow for merit step increases for employees granted merit steps for both FY 2006 and FY 2007.

AFSCME = American Federation of State, County, and Municipal Employees

IUP = Iowa United Professionals

SPOC = State Police Officers Council

UFI = United Faculty of Iowa

PPME = Public Professional and Maintenance Employees

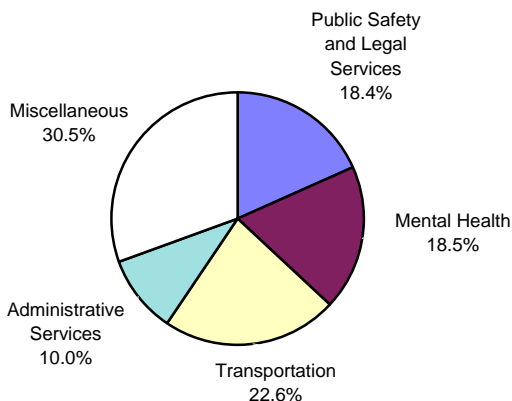
COGS = Campaign to Organize Graduate Students

SEIU = Service Employees International Union/Tertiary

Health Care Unit, University of Iowa



### BUDGETED COUNTY EXPENDITURES FY 2005



Budgeted County Expenditures	Estimated FY 2005
Public Safety and Legal Services	\$ 309.1
Mental Health	309.5
Transportation	379.5
Administrative Services	168.5
Miscellaneous	
State & Local Gov't. Services	57.8
Physical Health and Social Services	166.8
County Environment	94.6
Debt Service	39.6
Capital Projects	148.1
Other	3.9
Total	\$ 1,677.4

Note:

The FY 2005 ending fund balances for all counties is \$403.8 million.

**GENERAL FUND FINANCIAL ASSISTANCE  
TO LOCAL GOVERNMENTS  
(\$ in millions)**

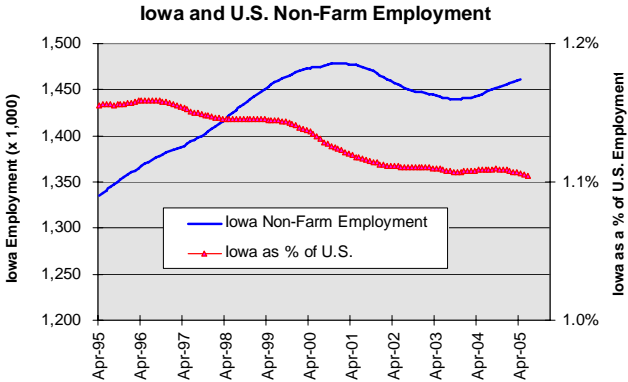
	Actual FY 2004	Est. FY 2005	Est. FY 2006
District School Aid	\$ 1,942.5	\$ 2,045.5	\$ 2,151.7
Community Empowerment	13.4	13.7	23.8
Community College Aid	135.8	139.8	149.6
Single County Contracts	9.5	9.2	9.2
Substance Abuse Grants	0.8	0.8	0.8
Elderly Services	2.1	2.1	2.1
Child & Family Services	97.1	97.5	107.5
Family Investment Program	36.2	39.0	40.4
Community Mental Health/ Mental Retardation Fund	17.8	17.8	17.8
Medical Assistance	348.7	352.8	507.7
Peace Officers Retirement Reimbursement	2.7	2.7	2.7
Public Transit Assistance	8.3	0.0	0.0
Fire Fighter Training	0.5	0.6	0.7
Homestead Tax Credit	103.2	102.9	102.9
Agriculture Land Tax Credit	34.6	34.6	34.6
Elderly/Disabled Property Tax Credit	16.1	19.5	19.5
Franchise Tax	8.6	0.0	0.0
Military Tax Credit	2.5	2.6	2.6
Personal Property Tax Replacement	0.0	0.0	0.0
Mental Health	114.1	118.7	123.5
Machinery & Equipment Reimbursement	11.0	0.0	0.0
Local Government Innovation Fund	0.1	0.0	0.0
Total Assistance	<u>\$ 2,905.6</u>	<u>\$ 2,999.8</u>	<u>\$ 3,297.1</u>
Total Assistance as a Percent of General Fund Expenditures	64.2%	65.2%	66.8%

Notes:

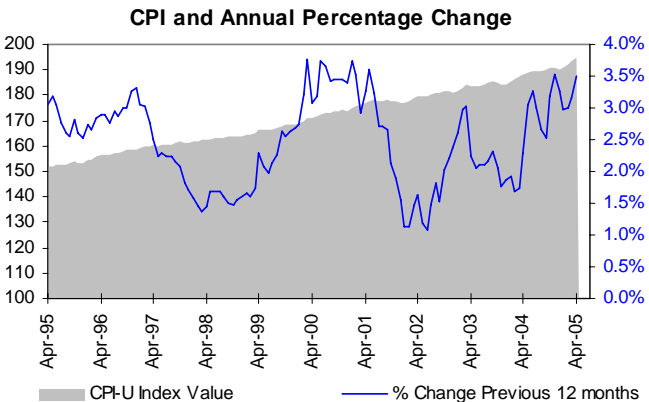
- 1) District School Aid includes unassigned standing appropriations for schools plus the appropriations for nonpublic textbooks and the appropriation for Student Achievement/Teacher Quality.
- 2) In FY 2005 and FY 2006, the tax credit appropriations were not funded directly from the General Fund.

# **IOWA ECONOMY**

## ECONOMIC SUMMARY

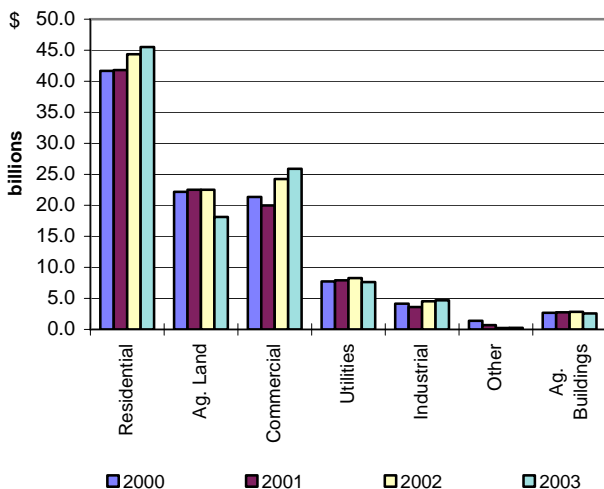


Iowa non-farm employment was reported at 1,473,900 in April (not seasonally adjusted), 13,900 higher than April 2004. The non-farm employment number includes only employees covered by the Unemployment Insurance system. Therefore, self-employed and other non-covered employment situations are not part of the non-farm count. The current 12-month moving average of 1,460,700 is about 17,900 below the 2000 peak and is 15,000 above the 2003 low. The chart above also presents Iowa non-farm employment as a percent of U.S. non-farm employment. The current 1.11% rating is the lowest since 1989.

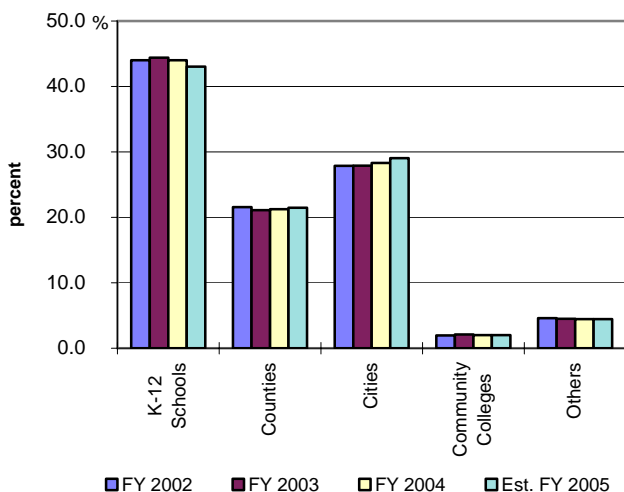


Consumer prices increased 3.5% for the April 2004 to April 2005 period. Throughout the 12-month period, the rate of inflation generally increased.

### DISTRIBUTION OF NET TAXABLE VALUATION BY CLASS OF PROPERTY\*



### PERCENTAGE DISTRIBUTION OF PROPERTY TAXES BY TAXING AUTHORITY



\*Class of property information is based on an assessment year. Tax Increment Financing (TIF) revenues go to the taxing authority issuing the TIF.

Note:

Between FY 1992 and FY 2005, net taxable valuation in the State increased from \$76.5 billion to \$104.7 billion.

**EDUCATION**

## **PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA**

The Iowa School Foundation Formula was created between 1970 and 1972, for the school year beginning July 1, 1972. This Formula is a student-driven financing mechanism that works to



equalize revenues from State sources and property taxes. The Formula was revised in 1989 to equalize per pupil spending, provide an enrollment cushion (phantom students), increase property tax relief, and provide for increased local discretion. In 1992, further revisions to the Formula included eliminating advanced funding for increasing enrollment, eliminating the enrollment decline cushion (phantom students), and requiring the Governor and General Assembly to establish the allowable growth rate each year, which was previously established by a formula.

In the 1995 Session, the determination of allowable growth was changed again. The General Assembly is required to set allowable growth two years in advance within 30 days of the submission of the Governor's budget.

In FY 2005, the School Foundation Formula provided \$1.881 billion in State aid based on a 2.0% allowable growth rate. In addition to State aid, the school districts received \$1.026 billion in Foundation property taxes, for total Foundation funding of \$2.907 billion. The budget was generated based on student enrollment of 485,011, special education weighting of 69,396, and supplemental weightings of 6,199, yielding a district weighted enrollment of 560,606.

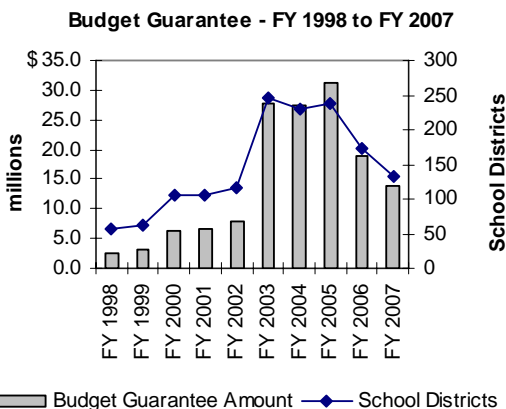
The School Foundation Formula is based upon basic enrollment, a school district's regular program cost per pupil, State aid determined by a foundation level, and an amount generated by the uniform property tax levy.

The FY 2006 allowable growth rate was set at 4.0% during the 2004 Legislative Session, yielding a State cost per pupil of \$4,931. The projected cost to the General Fund in FY 2006 is \$1.963 billion, an increase of \$81.6 million compared to estimated FY 2005. The FY 2007 allowable growth rate was set at 4.0% for a State cost per pupil of \$5,128. This is an estimated General Fund increase of \$111.3 million compared to FY 2006.

### PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA (Contd.)

The 2001 General Assembly reduced the amount of funding that area education agencies (AEAs) were estimated to receive by \$7.5 million in FY 2002. This reduction has since been made permanent. In the 2003 Legislative Session, the AEAs' funding was reduced by an additional \$10.0 million, and in FY 2004, the across-the-board reduction decreased the appropriation by another \$1.8 million. In FY 2005 and FY 2006, the AEA budgets were reduced by \$19.3 million, the total of the three FY 2004 reductions. The AEAs were allowed to shift funding for the Special Education Services Program from the Media Services Program and the Educational Services Program in order to maintain the level of services required for the Special Education Support Services Program.

Schools with declining enrollments receive the budget guarantee so their budgets can remain at the previous year's funding level. Between FY 1996 and FY 1999, fewer than 65 school districts received the budget guarantee. In FY 2000 through FY 2002, over 100 school districts received the budget guarantee, and between FY 2003 and FY 2005, over 200 school districts annually received the budget guarantee. In FY 2006, with the 4.0% allowable growth rate, 172 school districts will receive the budget guarantee. In FY 2007, with the 4.0% allowable growth rate, 133 school districts will receive the budget guarantee. The budget guarantee costs have grown from \$2.7 million in FY 1996 to \$30.8 million in FY 2005 and decreased to \$18.8 million in FY 2006 and to \$14.0 million in FY 2007. The following chart depicts those changes.





**PAYING FOR PUBLIC EDUCATION  
THE IOWA SCHOOL FOUNDATION FORMULA  
(Contd.)**

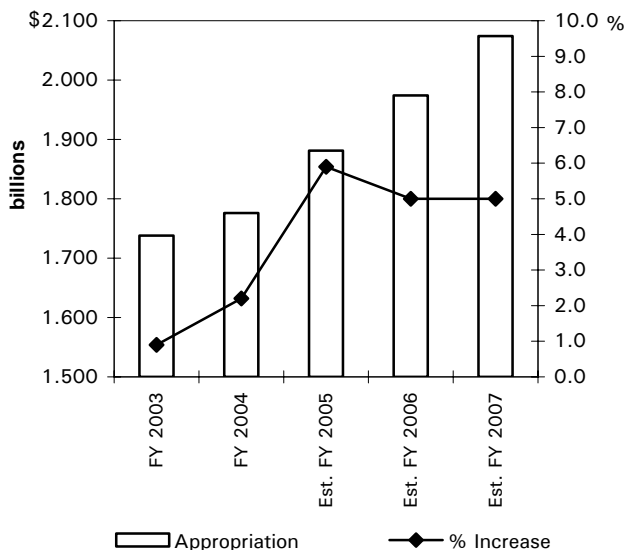
The budget guarantee was changed during the 2001 Legislative Session so that beginning in FY 2005 it is no longer based on providing 100.0% of the total regular program district cost. In FY 2005 and future years, school districts with declining enrollment will be eligible for one of two options. They may receive:

- 101.1% budget adjustment that is based on the previous year's regular program district costs without any previous budget guarantee adjustment.
- 90.0% budget guarantee that is based on the FY 2004 total regular program district costs. This percentage will be scaled back 10.0% each year until 2014.

Other funding sources available to school districts on an optional basis in the general education fund area include drop out prevention programs, School Budget Review Committee authorizations, instructional support levy, cash reserve levy, management levy, and enrichment levy.

Local school districts have a number of optional funding sources available for non-general education fund activities. These levies are used for building construction, building maintenance, equipment purchases, and certain operational expenditures. These include the debt service levy, schoolhouse property tax levy, physical plant and equipment levy, and the educational and recreation levy.

### APPROPRIATIONS FOR K-12 STATE AID FY 2003 - FY 2007



	Appropriations	Change	Percent Change
FY 1998	\$ 1,558,251,824	\$ 68,786,549	4.6%
FY 1999	1,611,592,518	53,340,694	3.4%
FY 2000	1,696,505,094	84,912,576	5.3%
FY 2001	1,751,721,662	55,216,568	3.3%
FY 2002	1,723,456,441	- 28,265,221	- 1.6%
FY 2003	1,738,962,243	15,505,802	0.9%
FY 2004	1,776,745,931	37,783,688	2.2%
Est. FY 2005	1,881,213,399	104,467,468	5.9%
Est. FY 2006	1,974,586,719	93,373,320	5.0%
Est. FY 2007	2,074,125,787	99,539,068	5.0%

Percentage increase FY 2002 - FY 2007

20.3%

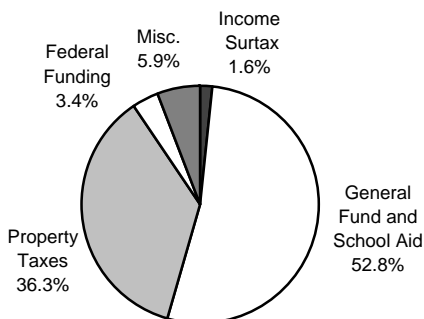
Five-year average annual increase

4.1%

#### Notes:

- 1) FY 2002 and FY 2003 include \$45.0 million appropriated from other funds.
- 2) FY 2004 includes a \$45.4 million across-the-board reduction and a \$4.5 million restoration.

**K-12 SCHOOL DISTRICTS' REVENUE**  
**Estimated FY 2005**  
**(\$ in millions)**



	Amount	Percent of Total
General Fund and School Aid	\$ 2,035.9	52.8%
Property Taxes	1,401.1	36.3
Federal Funding	132.0	3.4
Income Surtax	59.5	1.6
Miscellaneous	228.9	5.9
Total	<u>\$ 3,857.4</u>	<u>100.0%</u>

Note:

Approximately 75.4% of the revenue for K-12 school districts is derived through the basic funding formula.

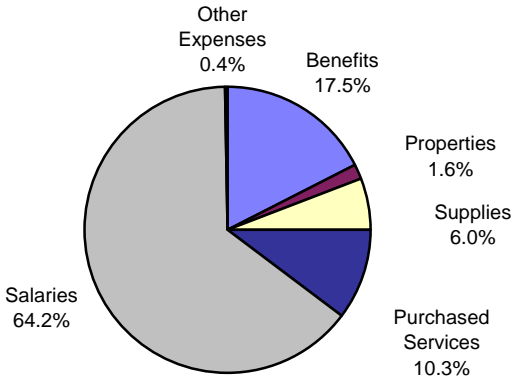
**K-12 SOURCE OF FUNDS  
ESTIMATED FY 2005 BUDGET DETAIL  
(\$ in millions)**

Source of Funds	Amount	Percent	# of Districts
Combined District Cost			
Regular Program	\$ 2,311.4	59.9%	367
Budget Guarantee	30.8	0.8	235
Supplementary Weights	29.6	0.8	367
Special Education	330.8	8.6	367
AEA Media	20.3	0.5	367
AEA Education Services	22.4	0.6	367
AEA Special Education	116.8	3.0	367
AEA Reduction	- 19.3	- 0.5	367
Dropout SBRC	64.4	1.7	274
Total Combined District Cost	<u>\$ 2,907.2</u>	<u>75.4%</u>	
Other Taxes and Misc. Income			
Instructional Support	\$ 143.4	3.7%	325
Educational Improvement	0.8	0.0	5
Enrollment Audit Adjustment	- 0.2	0.0	43
Physical Plant and Equipment	103.8	2.7	337
School House Levy	0.1	0.0	1
Management Levy	86.7	2.2	362
Playground and Library Levy	1.6	0.0	18
Bonds/Debt Service	98.4	2.6	226
Other State Appropriations	154.7	4.0	367
Federal Funding - Estimated	132.0	3.5	367
Miscellaneous - Estimated	228.9	5.9	367
Total Other Taxes	<u>\$ 950.2</u>	<u>24.6%</u>	
Total Budget	<u>\$ 3,857.4</u>	<u>100.0%</u>	

AEA = Area Education Agency

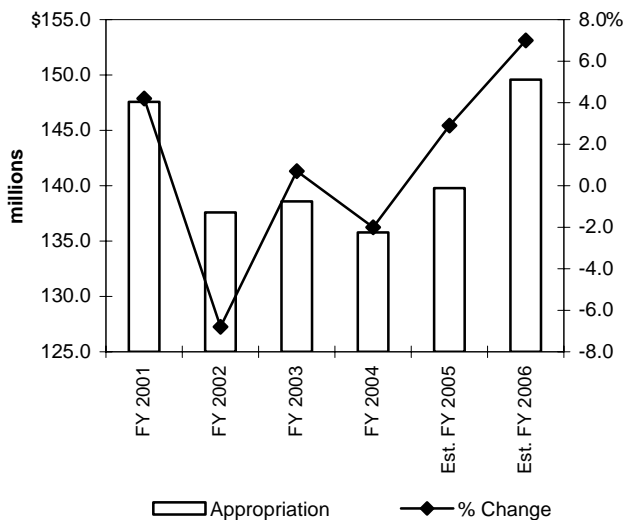
SBRC = School Budget Review Committee

**AVERAGE K-12 EXPENSES FOR  
AN IOWA SCHOOL YEAR  
2002 - 2003**



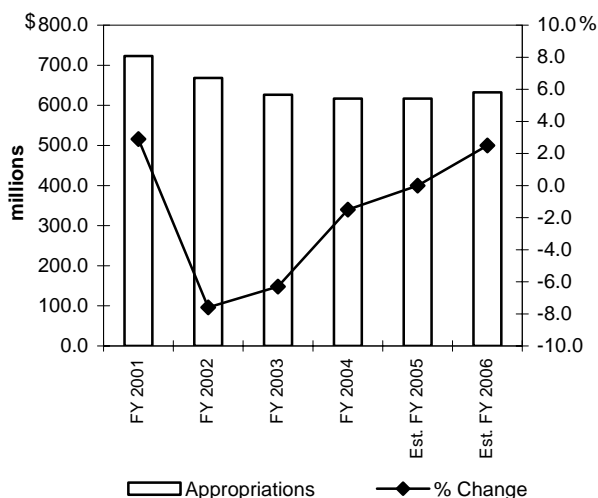
- From FY 1986 to FY 2003, expenditures for salaries decreased by 3.9% and expenditures for benefits increased 4.6% as a percentage of total operating fund expenditures.
- Statewide average administrative expenditures for FY 2003 are 9.6% of total operating fund expenditures. This is a decrease from 10.3% in FY 1986.

**GENERAL FUND APPROPRIATIONS  
FOR COMMUNITY COLLEGES  
FY 2001 - FY 2006**



	Appropriations	Change	Percent Change
FY 2001	\$ 147,577,403	\$ 6,000,000	4.2%
FY 2002	137,585,680	- 9,991,723	- 6.8%
FY 2003	138,585,680	1,000,000	0.7%
FY 2004	135,779,244	- 2,806,436	- 2.0%
Est. FY 2005	139,779,244	4,000,000	2.9%
Est. FY 2006	149,579,244	9,800,000	7.0%
Percentage change FY 2001 - estimated FY 2006			1.4%
Five-year average annual change			0.3%

# GENERAL FUND APPROPRIATIONS FOR REGENTS INSTITUTIONS FY 2001 - FY 2006

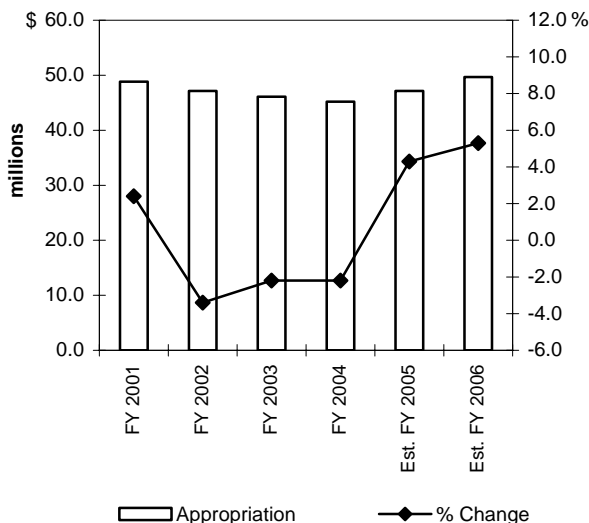


	Appropriations	Change	Percent Change
FY 2001	\$ 722,953,183	\$ 20,496,299	2.9%
FY 2002	668,308,294	- 54,644,889	- 7.6%
FY 2003	626,340,356	- 41,967,938	- 6.3%
FY 2004	617,030,606	- 9,309,750	- 1.5%
Est. FY 2005	616,751,408	- 279,198	0.0%
Est. FY 2006	632,340,696	15,589,288	2.5%
Percentage change FY 2001 - estimated FY 2006			- 12.5%
Five-year average annual change			- 2.5%

## Notes:

- 1) Includes appropriations made by the Economic Development Subcommittee.
- 2) Totals for FY 2002 through FY 2006 include other funds for tuition replacement.
- 3) Totals for FY 2002 through FY 2003 include other funds for salaries.
- 4) Includes operational funds only. Does not include funds for capitals or infrastructure.

### GENERAL FUND APPROPRIATIONS FOR TUITION GRANTS FY 2001 - FY 2006



	Appropriations	Change	Percent Change
FY 2001	\$ 48,830,075	\$ 1,165,325	2.4%
FY 2002	47,155,382	- 1,674,693	- 3.4%
FY 2003	46,117,964	- 1,037,418	- 2.2%
FY 2004	45,200,787	- 917,177	- 2.0%
Est. FY 2005	47,157,515	1,956,728	4.3%
Est. FY 2006	49,673,575	2,516,060	5.3%
Percentage increase FY 2001 - estimated FY 2006			1.7%
Five-year average annual change			0.3%



# REGENTS ENROLLMENTS AND TUITION DATA HISTORICAL COMPARISON

	Total Enrollments		
	FY 2000	FY 2005	% Change
SUI	28,846	29,745	3.1%
ISU	26,110	26,380	1.0%
UNI	13,553	12,824	- 5.4%
Total	68,509	68,949	0.6%

	Annual Undergraduate Resident Base Tuition		
	FY 2000	FY 2005	% Change
SUI	\$ 2,786	\$ 4,702	68.8%
ISU	2,786	4,702	68.8%
UNI	2,786	4,702	68.8%

	Annual Undergraduate Nonresident Base Tuition		
	FY 2000	FY 2005	% Change
SUI	\$ 10,228	\$ 15,354	50.1%
ISU	9,346	14,404	54.1%
UNI	6,688	12,020	79.7%

SUI = University of Iowa

ISU = Iowa State University

UNI = University of Northern Iowa

## Note:

Approximately 71.8% of all students enrolled at Regents Universities are residents of Iowa.

# **HEALTH AND HUMAN SERVICES**

**DEPARTMENT OF HUMAN SERVICES  
PROGRAMS**

The Department of Human Services is projected to spend \$3.427 billion combined for all programs, including Medical Assistance, the Family Investment Program, and the Food Stamp Program during FY 2006 (all funding sources). Federal funding is projected to account for \$2.203 billion, or 64.3% of these expenditures. Senior Living Trust Fund appropriations are \$100.0 million, or 2.9%. State General Fund appropriations are \$940.6 million, or 27.5%. The Medical Assistance Program is projected to serve a total of 300,000 individuals during FY 2006. The Family Investment Program is projected to serve an average of 19,805 households each month. The Food Stamp Program is projected to serve an average of 106,606 families each month during FY 2006.

The Family Investment Program (FIP) provides direct cash grant assistance to needy families in which the children are deprived of parental care or support due to absence, death, incapacity, or unemployment of one or both parents. In FY 1997, the federal government began to block grant \$131.5 million to Iowa annually from the Temporary Assistance for Needy Families (TANF) Block Grant. Revenues from child support recoveries also finance the Program. The Program was created in FY 1994 as part of a welfare reform effort that changed the structure and benefits of the previous Aid to Families with Dependent Children (AFDC) Program in order to reduce economic disincentives to employment.

The Food Stamp Program is a federally funded program administered by the U.S. Department of Agriculture which has the goal of preventing hunger and malnutrition. Recipients of the Family Investment Program are automatically eligible for food stamps. Individuals or families may also qualify for food stamps without receiving Family Investment Program benefits.

The Child Support Recovery Unit is responsible for collecting child support for families receiving FIP benefits and other families requesting assistance. Other activities include establishing paternity and child and medical support orders, locating absent parents, and reviewing and adjusting support orders upon the request of either parent.

**DEPARTMENT OF HUMAN SERVICES  
PROGRAMS (Contd.)**

The Medical Assistance Program pays for low-income aged, blind, and disabled citizens, residents of institutions, and other low-income Iowans who meet certain criteria. Federal law requires coverage of specified services and eligibility groups. In addition, the State of Iowa is currently covering most of the optional services and eligibility groups for which federal matching funds are available.

The State Children's Health Insurance Program began in FY 1999, including an expansion of Medical Assistance eligibility for children to 133.0% of the federal poverty level and coverage up to 185.0% of the federal poverty level in the Healthy and Well Kids in Iowa (hawk-i) using private insurance coverage. The Tobacco Fund Appropriations Act for FY 2001 (HF 2555) expanded income eligibility guidelines to 200.0% of the Federal Poverty Level.

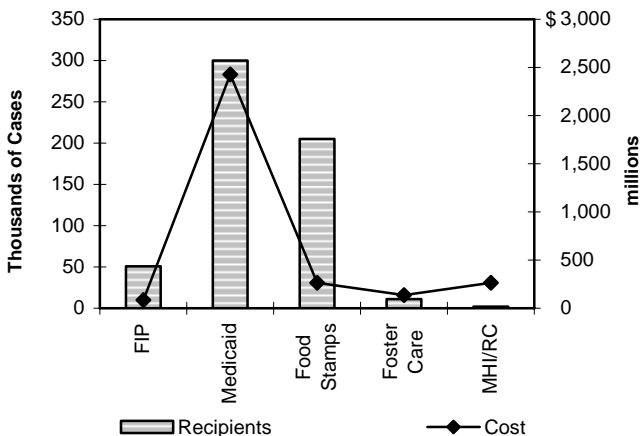
The Foster Care Program provides 24-hour temporary care for children unable to remain in their own homes, while offering services to families and children in order to implement plans for permanent placement.

There are four Mental Health Institutes for the mentally ill, located at Clarinda, Independence, Mt. Pleasant, and Cherokee. These Institutes provide a range of psychiatric and substance abuse services in an inpatient residential setting for those cases that community-based services cannot handle. The Institutes also provide limited outpatient services. Two of the Institutes, Clarinda and Mt. Pleasant, share campuses and selected support resources with adult correctional facilities operated by the Department of Corrections.

There are two Resource Centers which provide for the mentally retarded, located at Glenwood and Woodward. These Resource Centers provide diagnostic evaluation, treatment, training, care, rehabilitation, and support of mentally retarded persons. The Resource Centers also serve as the locations for various entities within the respective geographic areas which provide a wide variety of services to the area.

There is a Sexual Predator Civil Commitment Program located at the Mental Health Institute at Cherokee, which provides treatment for those who have served prison-time, consisting of three treatment components: assessment, treatment, and discharge planning.

### DEPARTMENT OF HUMAN SERVICES FY 2006 MAJOR PROGRAMS



\* Foster Care = Family Foster Care, Group Care, and Adoption Subsidy

	Average Monthly Recipients Per Program	Total Program Cost
FIP	50,800	\$ 84,917,264
Medicaid	300,000	2,426,174,794
Food Stamps	205,000	263,294,191
Family Foster Care	2,800	31,875,625
Group Care**	1,200	53,339,969
Adoption Subsidy	7,000	51,281,896
MHI/RC**	896	264,812,278

\*\* Based on Average Daily Census, includes all funds.

Note:

The number of recipients per program may be overestimated. Recipients may participate in more than one program causing the number of cases shown here to be inflated.

FIP = Family Investment Program

MHI/RC = Mental Health Institutes/Resource Centers

**TOTAL MEDICAL ASSISTANCE SPENDING**  
**FY 2004 - FY 2006**  
**(\$ in millions)**

Category	Actual FY 2004	Est. FY 2005	Est. FY 2006
Inpatient*	\$ 229.6	\$ 233.6	\$ 226.6
Outpatient*	110.5	112.4	109.1
NF-Excluding MR*	405.7	412.8	400.4
NF-MR	210.5	214.3	207.9
Physicians Services*	121.7	123.8	120.1
Lab & X-ray Services*	2.5	2.5	2.5
Ambulance Services	2.0	2.0	2.0
Prescribed Drugs	357.9	411.6	473.3
HMO*	92.2	93.8	91.0
Medical Supplies	29.4	29.9	29.0
Dental Services	37.1	37.7	36.6
Optometric Services	6.0	6.1	5.9
Iowa Plan*	90.3	91.9	89.1
Waiver Services**	211.9	279.7	358.0
Other	251.8	256.2	248.5
Total	<u>\$ 2,159.1</u>	<u>\$ 2,308.3</u>	<u>\$ 2,400.0</u>

\* Mandatory Services.

\*\* Waiver Services - Mentally ill and handicapped waiver, AIDS waiver, brain injury waiver, mentally retarded waiver, elderly waiver, physical disabilities waiver, and home health.

Note:

Dollars include federal, State, and county dollars.

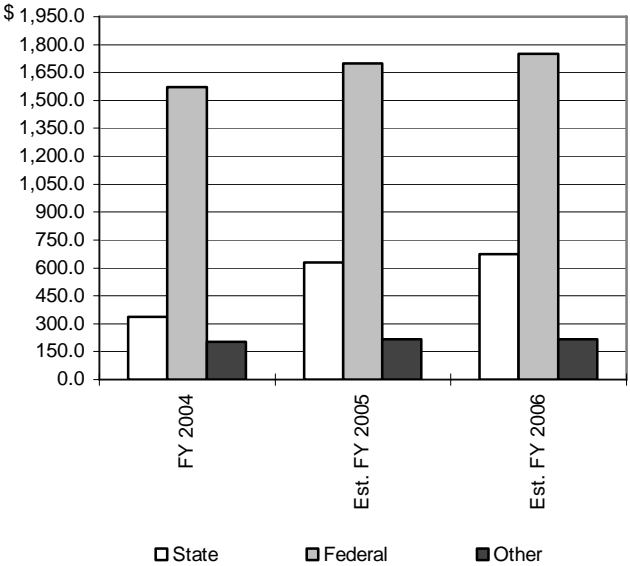
AIDS = Acquired Immune Deficiency Syndrome

NF = Nursing Facility

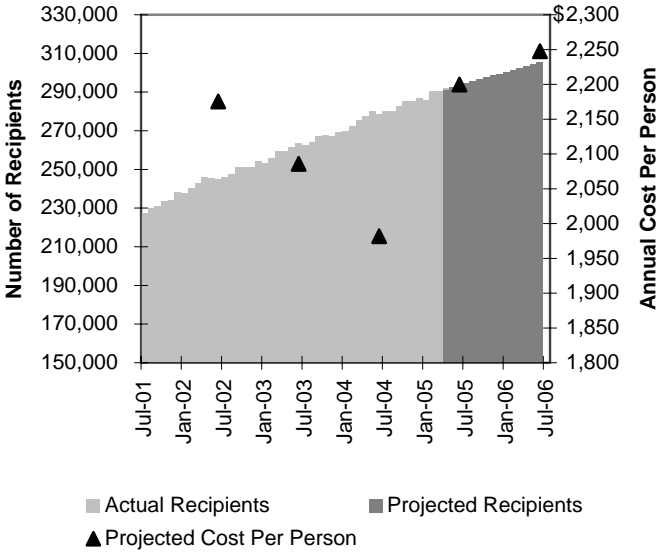
HMO = Health Maintenance Organization

MR = Mentally Retarded

**TOTAL MEDICAL ASSISTANCE SPENDING (Contd.)  
FY 2004 - FY 2006  
(\$ in millions)**



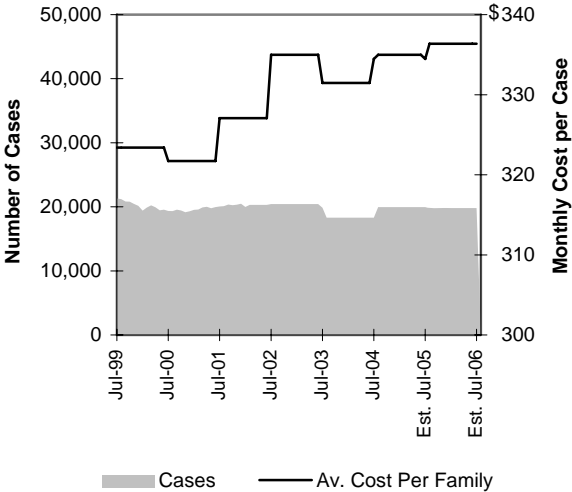
- The federal government matches State spending of 36.4% with 63.6% of federal spending for FY 2006.

**MEDICAL ASSISTANCE PROGRAM  
CASELOAD AND COST PER CASE**

- Medical Assistance (Medicaid) Program enrollment is estimated to increase by 6.1% in FY 2005 and 4.6% in FY 2006.



### FAMILY INVESTMENT PROGRAM CASELOAD AND COST PER CASE



- Total caseload for the Family Investment Program has declined from a high of 40,659 in April 1994 to an estimated FY 2006 caseload of 19,805. This is a decrease of 20,854 cases (51.3%).
- Cost per case has declined from a high of \$377.27 per month in September 1991 to an estimated FY 2006 cost per case of \$336.36. This is a decrease of \$40.91 per month (10.8%).

### CHILDREN'S HEALTH INSURANCE (CHIP) PROGRAM

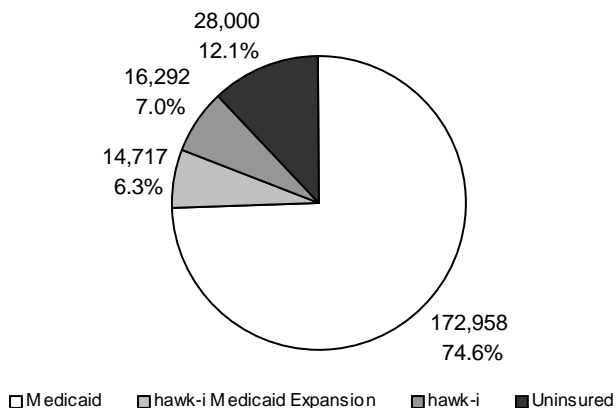
Congress enacted the Children's Health Insurance Program, with federal funds available on October 1, 1997, to provide insurance for children in families with incomes up to 200.0% of the Federal Poverty Level (FPL).

House File 825 (FY 2006 Health and Human Services Appropriations Act) appropriates \$16.6 million from the General Fund and \$1.5 million from the Healthy and Well Kids in Iowa (*hawk-i*) Trust Fund to provide Iowa's match for \$53.3 million in federal funds.

The *hawk-i* Program was enacted in 1998, establishing a private insurance program for children in families with incomes between 133.0% and 185.0% of the FPL. The Program was implemented January 1, 1999, through a managed care plan offered in 16 counties. The Program was expanded statewide through an indemnity plan on March 1, 1999. Statewide coverage is provided by one managed care plan and one indemnity plan. The Program was expanded to 200.0% of the FPL in FY 2003.

The Bureau of Census estimates 28,000 (3.7%) uninsured children in the State are at or below the 200.0% FPL. As of March 2005, 30,500 children were enrolled in the *hawk-i* Program.

**Number of Children Below 200.0% FPL**



**CRIME/ENFORCEMENT**

## PRISONS/CORRECTIONS



Iowa began expanding the 3,603-bed Prison System in FY 1995. The table below details the prison expansion. Each 800-bed medium-security prison costs approximately \$50.0 million to construct and \$28.0 million per year to operate.

The General Assembly approved the addition of 3,442 beds since the 1997 Session, as indicated in the table below.

## Prison Expansion FY 1996 - FY 2007

Location	No. of Beds	Opening Date
Clarinda	750 *	April 1996
Newton	750	July 1997
Ft. Dodge	750	April 1998
Mt. Pleasant	100 **	April 1999
Mitchellville	232	April 2000
Ft. Dodge	400	February 2000
Ft. Madison	200 ***	August 2002
Oakdale	170	March 2007
Luster Heights	17	January 2004
Clarinda	225	March 2005

\* Replaced the 152-bed facility.

\*\* Conversion of Department of Human Services beds to special needs women's prison beds.

\*\*\* The 200-bed Clinical Care Unit opened in three phases during FY 2003.

In addition to the new construction, the Department of Corrections has modified its calculation of design capacity. Given these changes and construction, the Prison System will have a total capacity of 7,385 beds upon completion.

The prison population has steadily increased over the last two fiscal years, growing by approximately 300 inmates. The Criminal and Juvenile Justice Planning Division has projected that the inmate population will grow to 10,582 inmates by the end of FY 2014, given current correctional policies and practices.

**PRISONS/CORRECTIONS (Contd.)**

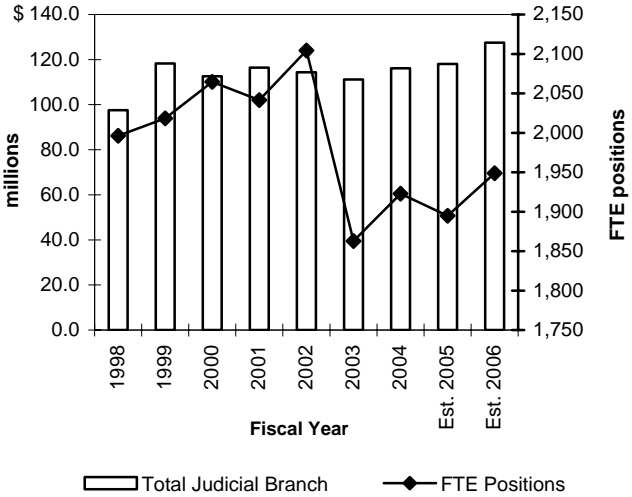
With the addition of the new prison beds, modification of the design capacity calculation, and the increase in the inmate population, overcrowding was 119.2% in May 2005. By the end of FY 2014, the prison population is projected to increase to 10,582 inmates, which will be 143.3% of capacity.

The State prisons were operating at 119.2% of current designed capacity on May 9, 2005, with a prison population of 8,595 offenders. Current designed capacity is 7,215 beds. Designed capacity will increase to 7,385 beds by FY 2007 when the 170-bed Special Needs Unit at Oakdale is constructed and operating. The State prison budget is based on 8,025 inmates; the current system is operating at 107.1% of budgeted capacity.

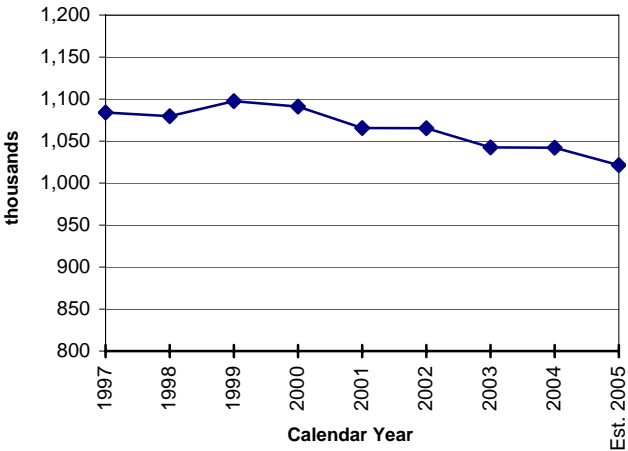
The Criminal and Juvenile Justice Planning Division in the Department of Human Rights released its prison population forecast. The report stated that by FY 2014, the prison population is expected to reach 10,582 offenders if there are no changes to offender behavior, and justice system policies, trends, and practices remain unchanged.

If the prison population reaches 10,582 offenders, three new prisons will need to be built over the next ten years. Construction cost per prison is estimated to be \$50.0 million, and annual operating costs are approximately \$28.0 million. If three new 800-bed prisons are built, total construction costs are estimated to be \$150.0 million and annual operating costs are estimated to be \$84.0 million. If the prison population reaches 10,582 offenders and three new prisons are built, designed capacity would be 9,785 beds, and the prisons would be operating at 108.2% of designed capacity.

**JUDICIAL BRANCH  
APPROPRIATIONS AND FTE POSITIONS  
FY 1998 - FY 2006**

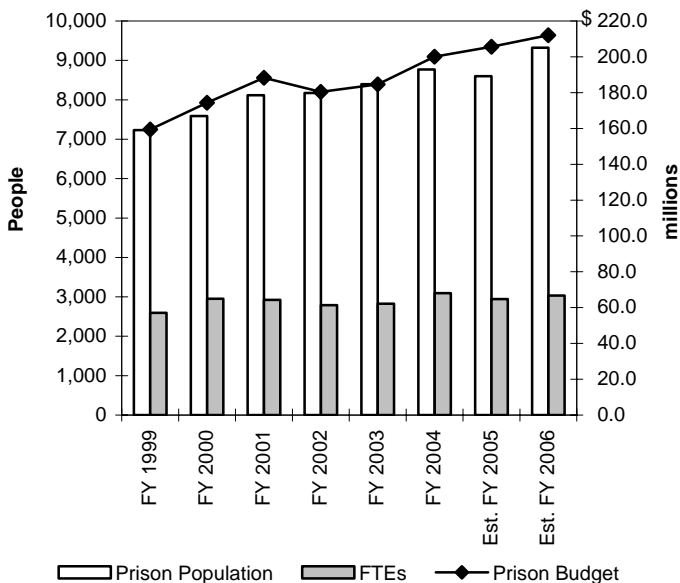


**COURT CASE FILINGS  
CY 1997 - CY 2005**

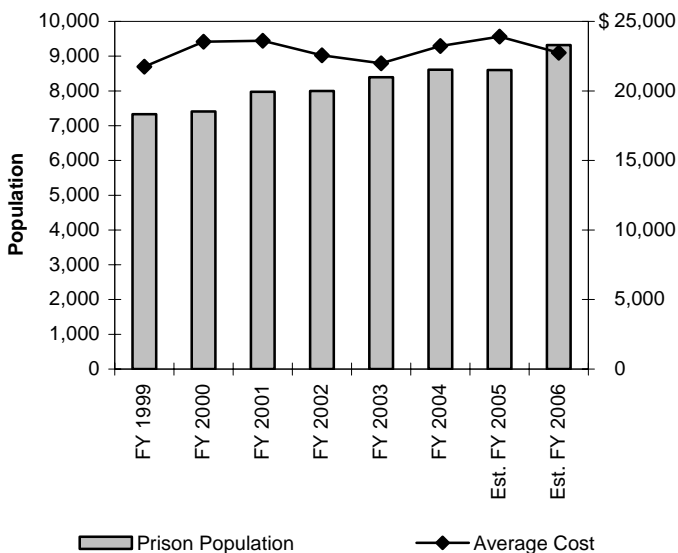


CY = Calendar Year

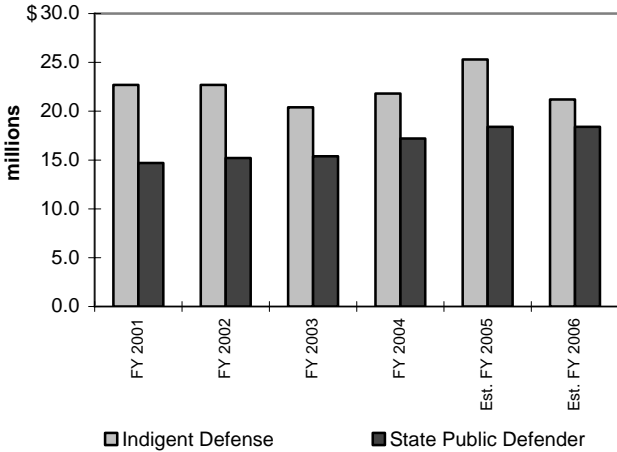
### YEAR-END PRISON POPULATION, STAFFING, AND BUDGET



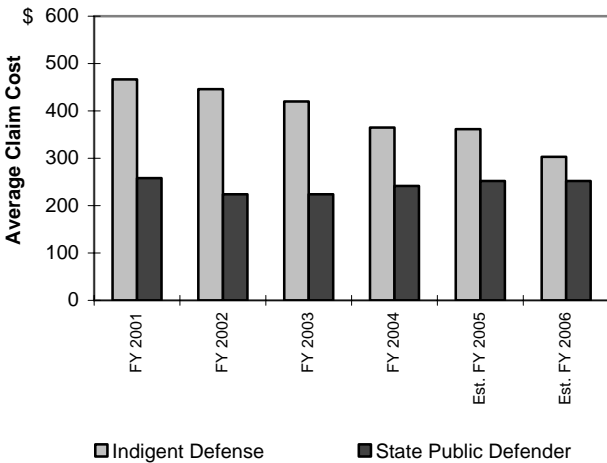
### AVERAGE PRISON POPULATION AND AVERAGE ANNUAL COST PER PRISONER



### INDIGENT DEFENSE AND STATE PUBLIC DEFENDER EXPENDITURES FY 2001 - FY 2006



### INDIGENT DEFENSE AND STATE PUBLIC DEFENDER COSTS PER CLAIM FY 2001 - FY 2006



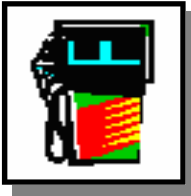
Note:

Costs for juvenile cases are included for the State Public Defender and for Indigent Defense.



# **TRANSPORTATION**

## ROAD USE TAX FUND



The Road Use Tax Fund is comprised of revenue sources which include taxes on fuels; fees collected on vehicle registrations, titles, and driver licenses; and use tax collected on motor vehicle purchases and related equipment.

Except for administrative costs, all vehicle registration fees, license fees, and motor vehicle fuel taxes are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of the State's public highways (Section 8, Article VII, Constitution of the State of Iowa). However, the use tax on motor vehicles and equipment is exempt from the constitutional mandate.

The following table shows actual and estimated Road Use Tax Fund revenues for FY 2004 through FY 2006.

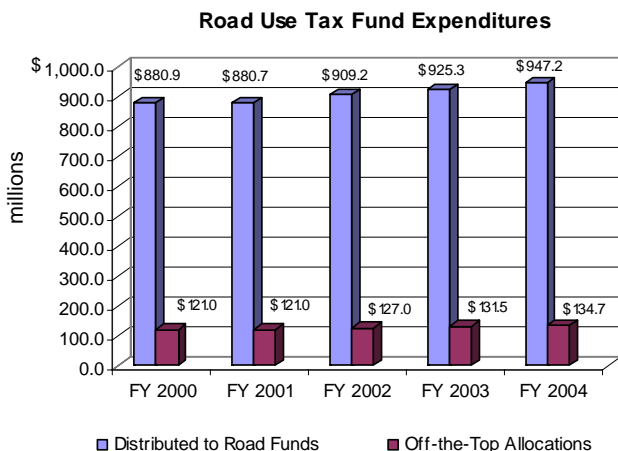
**ROAD USE TAX FUND**  
(\$ in millions)

	Actual FY 2004	Estimated FY 2005	Estimated FY 2006
<b>Revenues</b>			
Fuel Tax	\$ 420.1	\$ 428.0	\$ 430.7
Registration Fees	376.8	387.9	391.2
Use Tax	224.4	230.8	233.3
Underground Tank Fees	20.6	20.8	21.0
Driver's License Fees	18.9	15.9	11.4
Interest	4.9	4.9	5.0
Other	16.3	13.1	13.1
<b>Total</b>	<b>\$1,082.0</b>	<b>\$1,101.4</b>	<b>\$1,105.7</b>

A portion of the Road Use Tax Fund revenues is appropriated either through standing appropriations established in the Code of Iowa, or through the annual appropriations process. These expenditures are referred to as "off-the-top" allocations, and are used to fund programs, equipment purchases, and department operations. After the off-the-top allocations are funded, the remaining revenues are distributed based on formulas to the Primary, Secondary, Farm-to-Market, and Municipal Road Funds.

### ROAD USE TAX FUND (Contd.)

The following chart shows the comparison between the funds distributed by formula to the State, city, and county road funds and total off-the-top allocations.



Following the formula distributions to the four road funds, the remaining revenues are then transferred with the jurisdiction of certain roads, as detailed in the following section.

### Transfer of Road Jurisdictions

In 2003, the General Assembly passed SF 451 (FY 2004 Road Jurisdiction and Funding Act). Beginning in FY 2004, the Act transferred the jurisdiction of certain roads, and transferred funds with those roads as follows:

- Effective FY 2004, the jurisdiction and control of approximately 700 miles of primary (State) roads, classified as Local Service Roads, were transferred to cities and counties.
- From FY 2004 to FY 2013, 1.75% of Primary Road Fund moneys will be transferred annually to a Transfer of Jurisdiction Fund. The allocation will be distributed as follows:
  - 75.0% to counties and cities that assume jurisdiction of primary roads.
  - 22.5% to the Secondary Road Fund of all counties.

## ROAD USE TAX FUND (Contd.)

- 2.5% to the Street Construction (Municipal Road) Fund of all cities.
- Beginning in FY 2014, the Transfer of Jurisdiction Fund will be eliminated, and the 1.75% of Primary Road Fund moneys will be distributed to all cities and counties as follows:
  - 1.575% to the Secondary Road Fund of all counties.
  - 0.175% to the Street Construction Fund of all cities.
- In FY 2005, jurisdiction and control of approximately 400 miles of farm-to-market road extensions in cities with a population of less than 500 was transferred to the respective counties. A portion of the Street Construction Fund from cities that transferred the farm-to-market extensions will be transferred monthly to the respective counties.

The following table shows Transfer of Jurisdiction Fund apportionments to the State, cities, and counties in FY 2004, and estimated apportionments in FY 2005 and FY 2006 under SF 451.

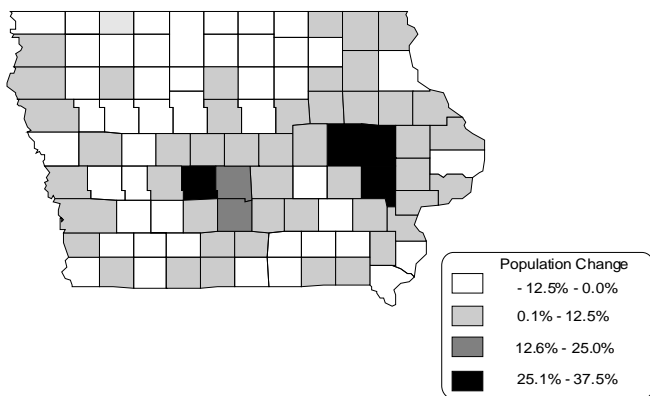
**Transfer of Jurisdiction Fund Apportionments  
to State, Cities, and Counties**  
(\$ in Millions)

	Actual FY 2004*	Estimated FY 2005	Estimated FY 2006
<b>Transfer of Jurisdiction Fund</b>			
(1.75% of Primary Road Fund)	\$ 7.3	\$ 8.0	\$ 8.1
<b><u>Distribution of Transfer of Jurisdiction Fund</u></b>			
<b><u>FY 2004 through FY 2013</u></b>			
Cities and counties that assume jurisdiction of primary roads (75.0%)			
Counties (89.6%)	4.9	5.4	5.4
Cities (10.4%)	0.6	0.6	0.6
All counties (22.5%)	1.6	1.8	1.8
All cities (2.5%)	0.2	0.2	0.2
<b><u>FY 2005 and Beyond</u></b>			
Cities that assumed jurisdiction of Farm-to- Market road extensions	NA	2.1	2.1
Counties that assumed jurisdiction of Farm-to- Market road extensions	NA	- 2.1	- 2.1
<b>Total Distribution</b>	<b>\$ 7.3</b>	<b>\$ 8.0</b>	<b>\$ 8.0</b>

\* Fiscal Year 2004 is based on the Treasurer of State's 12-month reporting period of June through May instead of July through June. Since the Transfer of Jurisdiction Fund was created in July 2004, the amount credited to the Fund in FY 2004 is based on the 11-month period of July through May. Amounts shown for estimated FY 2005 and FY 2006 are based on the 12-month period of June through May.

# STATE PROFILE

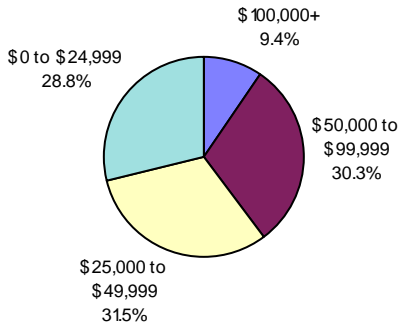
## IOWA'S POPULATION CHANGE BY COUNTY 1990 - 2000



- Iowa's population was estimated at 2,941,976 in 2003.
- The State experienced a negative population growth rate between the years 1979 and 1988, while the national average was fairly constant at 1.0%.
- Iowa experienced a 5.4% growth in the population rate from 1990 to 2000, which was concentrated in and around metropolitan areas.
- Dallas County reported the greatest gains in population, increasing by 37.0% over the last ten years. Pocahontas County experienced the largest decline, with a loss of 9.1% during the same period.
- Just over 50.0% of the State's population resides in twelve counties in the State, which include Black Hawk, Cerro Gordo, Clinton, Dallas, Dubuque, Johnson, Linn, Polk, Pottawattamie, Scott, Story, and Woodbury.
- The most populous county in the State is Polk County, which reported a growth rate of 14.5% during the 1990s.

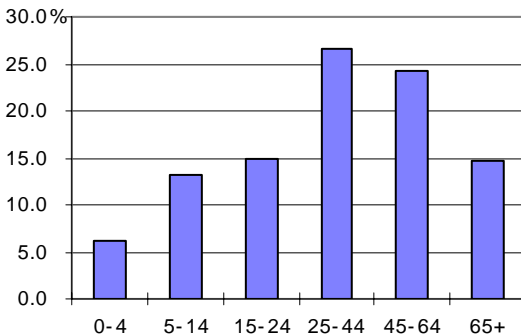
## IOWA'S POPULATION (as of 2003)

### HOUSEHOLD INCOME



- The average Iowa household has 2.5 members.
- Iowa's three-year average median household income (2001 - 2003) was \$41,985.
- The median age of an Iowan is 37.7 years of age compared to the national average of 35.9 years.

### AGE DISTRIBUTION OF IOWANS



- The percentage of Iowans age 65 or older is 14.7% compared to the national average of 12.4%.
- In 2003, the marriage rate was 6.9 per 1,000 population.

**IOWA'S POPULATION (Contd.)**

- In 2003, the divorce rate was 2.8 per 1,000 population.
- In 2003, the percentage of births to unmarried women was 29.9%.
- In 2003, the infant death rate per 1,000 live births was 5.7.
- It is estimated that 90.5% of Iowans are covered by health insurance compared to the national average of 84.9% (three-year average, 2001 - 2003).
- In 2003, 88.9% of Iowa's population age 25 and older reported graduating high school or higher.
  - The percentage of Iowans age 25 and older with a bachelors degree is 22.5% compared to the national average of 26.5%.
  - Iowa's high school dropout rate was 2.7% compared to the national average of 5.1%.
- Iowa's population includes 6.1% who receive food stamps, ranking 38th in the nation. The national average is 8.1%.
- Iowa's average household Family Investment Program (FIP) monthly payment is \$124 compared to a national average of \$168.
- Iowa ranks 35th in the nation with 3,234 crimes per 100,000 population.
- Iowa had 290 state prisoners per 100,000 population, ranking 39th nationally.
  - The median age for inmates is 33 years old.
  - Men are 91.6% of the inmate population.
  - 71.0% of the inmate population is white, 22.1% is African-American, 4.4% is Hispanic, and 2.5% is other minorities.
- Iowa has a civilian labor force of 1.5 million persons. Women comprise 47.0% of the work force.



## IOWA'S POPULATION (Contd.)

## 2003 NON-FARM EMPLOYMENT

Construction	4.5%
Education and Health	13.2%
Financial	6.6%
Government	17.0%
Information	2.3%
Leisure and Hospitality	8.7%
Manufacturing	15.3%
Natural Resources and Mining	0.1%
Other Services	3.9%
Professional and Business Serv.	7.3%
Trade, Transportation, and Utilities	21.1%